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Volume XXIV]

MAY 1950

[Number 1

FREEDOM AND THE EXPANDING STATE

A SERIES OF ADDRESSES AND PAPERS PRESENTED AT THE SEMI-ANNUAL

MEETING OF THE ACADEMY OF POLITICAL SCIENCE

APRIL 26, 1950

EDITED BY

JOHN A. KROUT

PUBLISHED BY

THE ACADEMY OF POLITICAL SCIENCE

COLUMBIA UNIVERSITY

NEW YORK



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P R E F A C E

LIBERTY, as Edmund Burke wisely observed, must be limited if it is really to be possessed. But he could not determine the precise point at which such limitation became dangerous. Today we are having as much trouble as he had more than a century and a half ago in trying to define the degree of social control which is most conducive to individual and community welfare. Over the years, experimentation has often seemed to be directed toward ascertaining how much restraint the community could endure rather than how little it needed. The insistent quality of the problem is now sharply emphasized by the rapid growth of governmental activities which has been so notable a characteristic of the twentieth century.

It is not surprising, therefore, that the Academy of Political Science chose to discuss at its Spring Meeting some of the more important phases of the impact of the expanding state upon the area of human liberty. Agreement is not to be expected in the consideration of so controversial a topic; but the conflicting opinions, here recorded, do not lead toward defeatism. Indeed, through all the conferences at the Hotel Astor in New York on April 26, 1950, there ran a note of confidence in the long-range "outlook for freedom". Neither the stress of domestic issues nor the pressure of external forces, however alarming, can crush human liberty, so long as men and women, as individuals, "are ready to resist arbitrary action."

The officers of the Academy take this opportunity to thank the speakers for their informative contributions to this volume of the PROCEEDINGS.

CONTENTS

	PAGE
Preface	iii
PART I: BASIC PRINCIPLES AND FOREIGN EXPERIENCE	
<i>Robert M. Haig</i>	Introduction 1
<i>Robert K. Carr</i>	Liberty under Government 3
<i>Sigmund Neumann</i>	Trends Toward Statism in Western Europe 13
<i>Redvers Opie</i>	The British Experience with Nationalization 24
<i>Frederick C. Mills</i>	The Outlook for Freedom 35
	Discussion: Basic Principles and Foreign Experience .. 43
PART II: CURRENT ISSUES IN THE UNITED STATES	
<i>James W. Angell</i>	Introduction 50
<i>Lloyd K. Garrison</i>	Government in the Field of Labor Relations 51
<i>Virgil B. Day</i>	Discussion: Government in the Field of Labor Relations 69
<i>Allan B. Kline</i>	Government and Agriculture 78
<i>Harry J. Carman</i>	Discussion: Government and Agriculture 88
<i>Arthur J. Altmeyer</i>	Government and Individual Security 93
<i>Harry G. Waltner, Jr.</i>	Discussion: Government and Individual Security 100
	Discussion: Current Issues in the United States 103
PART III: AMERICAN DEMOCRACY AND THE WELFARE STATE	
<i>W. Randolph Burgess</i>	Introduction 109
<i>Paul H. Douglas</i>	Freedom and the Diffusion of Power 112
<i>Harry F. Byrd</i>	Free Enterprise System vs. Socialism 128
<i>Dwight David Eisenhower</i>	Remarks 144

PART I

BASIC PRINCIPLES AND FOREIGN EXPERIENCE

INTRODUCTION

ROBERT M. HAIG, *Presiding*

McVickar Professor of Political Economy, Columbia University
Member, Board of Directors, Academy of Political Science

IT is a pleasure to call to order this Spring Meeting in the Seventieth Year of the Academy of Political Science.

You will observe that this organization has now reached full maturity, threescore years and ten. I suppose that no one here was eye-witness of the first meeting of the Academy of Political Science. We do know, however, that it was a part of the original plan, as developed by Dean Burgess at the time the Faculty of Political Science at Columbia University was first organized, that the Academy was to be an organization which would make it possible for the alumni of the Faculty of Political Science to discuss and analyze issues of interest, and to advance public understanding of important problems.

In the fullness of wisdom that has come with the years, it was found that the discussions could, without ill effects, be shared with a much wider audience than the graduates of Columbia's Faculty of Political Science, and that the analysis could be measurably improved by going beyond the limits of that Faculty for talent.

As a result, the program committees in these modern times, operating without limitations, find it desirable to bring talent

from a wide area, so that this morning's program is a fairly typical one. As a matter of fact, we now feel rather flattered and surprised if one of our own colleagues chances to be included upon a program of the Academy of Political Science!

The subject for the meeting, as you will observe, is that of "Basic Principles and Foreign Experience", with respect to the general theme that has been selected for the day's program, namely, "Freedom and the Expanding State".

We are to have four papers, and I suggest that we listen to these papers in order before opening the program for discussion from the floor under the five-minute rule.

At this time, then, I should like to introduce to you Robert K. Carr, who is Professor of Government at Dartmouth College, and former Executive Secretary of President Truman's Committee on Civil Rights, who will discuss the topic of "Liberty under Government".

Mr. Carr!

LIBERTY UNDER GOVERNMENT

ROBERT K. CARR

Professor of Government, Dartmouth College
Former Executive Secretary, President Truman's Committee on Civil Rights

“THE world has never had a good definition of the word liberty, and the American people just now are much in need of one. We all declare for liberty, but in using the same word we do not all mean the same thing.”

These words were spoken by Abraham Lincoln in 1864¹ but they are just as valid today as they were when he uttered them nearly a century ago. Our own generation has just as great a need for a good working definition of liberty as did one which had to fight a great Civil War to establish the right of millions of Americans to enjoy basic personal freedom. Unfortunately, our own generation seems to be just as far away from a satisfactory definition of liberty as was Lincoln's. Certainly, it is obvious that we still do not all mean the same thing when we use the word. It begins to look as though, in part at least, the difficulty is insurmountable, and that liberty is one of those words, like democracy, progress, welfare and justice, which in the final analysis is probably incapable of a precise or formal definition that all men would accept as correct. And yet in our hearts we know what we mean when we use these words, and it should be possible to describe in meaningful fashion some of the qualities of liberty and prerequisites to its existence in the modern world even though the search for a universal, formal definition prove futile. It is this possibility that I want to pursue in this paper, giving particular attention to the relationship between liberty and authority.

About a year ago Edward S. Corwin published a little collection of articles and lectures to which he gave the title, *Liberty Against Government*.² The book dealt in scholarly and discerning fashion with a rather technical problem in American constitutional law which need not concern us here. Indeed, I

¹ Address, Sanitary Fair, Baltimore, April 18, 1864.

² Baton Rouge, 1948.

should like to divorce the title from the book and use it as a symbol of one of the things that I think is wrong about much of our present thinking concerning liberty. By pitting government and liberty against each other as though they were opposite and irreconcilable forces we fall into a traditional and stereotyped line of thought which leads us to lose sight of realities. We become victims of our own rationalizations, and our efforts to safeguard and enhance personal freedom suffer accordingly. What I have to say this morning comes to this: in the world in which we find ourselves, even though it be a world we never made, the concept of *liberty under government* may well be a more fruitful one to use in our talk and actions about liberty than the concept of liberty against government.

Let me make myself clear. There is no denying the existence of both a historical and philosophic conflict between authority and liberty, between the state and the freedom of the individual. How can man's searching spirit find complete self-expression when there are rules of the game which he is forced to obey? Or how can law and order be maintained if each man wanders fancy free? There is surely an authority that inevitably destroys liberty, and there are forms of liberty that make the maintenance of authority difficult. From the earliest political beginnings, choosing between authority and liberty has created a dilemma that has plagued the architects of government and the poets of freedom alike. In no small degree the history of human progress is told in the story of the varying success man has enjoyed in reconciling liberty with authority, authority with liberty. It is as a chapter in this long history that our own efforts to build a satisfactory political order in the United States are to be viewed. As Charles and Mary Beard have put it, the most fundamental problem that confronted the makers of our Constitution was "How to set up a government strong enough to serve the purposes of the Union and still not too strong for the maintenance of the liberties of the People?"³

Another way of putting this idea is to say that the evolution of man's social institutions has been largely concerned with a search for a satisfactory equilibrium between authority on one hand and liberty on the other. The very idea that such an

³ *A Basic History of the United States* (New York, 1944), p. 131.

equilibrium is attainable suggests that there is no irreconcilable conflict between liberty and authority. Indeed, it may be argued that paradoxically one of the most powerful motivating forces leading to the establishment of agencies of authority has, throughout all history, been a desire to preserve and promote liberty. To be sure, it is easy enough to provide examples of the establishment or use of such agencies for the sake of the resulting power alone—for the advancement and glory of a political tyrant, a religious leader, a business executive, or a labor leader. But from the time of the caveman to the civilized man of the twentieth century, it has been clear that authority can be used to foster liberty. Ancient man only just emerging from an animal existence soon discovered that tribal authority could protect his crops or domestic animals from marauders, and that submission to authority guaranteed him liberty to enjoy the fruits of his labors. Without such protection his liberty was likely to become theoretical in the face of the dangers that threatened him every minute of his existence. Likewise, the twentieth-century sophisticate may fret and fume as the red of the traffic light forces him to stop his car and delays him in his travels, but his irritation is only surface deep; he knows that without traffic regulations enforced by government he might well never reach his destination at all.

A certain instinctive reluctance in man to accept the idea that liberty and authority can be reconciled is both inevitable and desirable. From time to time a few free souls reject completely the argument that liberty can be enjoyed only under the protection of authority. Occasionally, such persons even try to escape from the restraints of civilization to enjoy pure freedom in its fullest measure. Now and then the case for liberty without authority has been expressed philosophically in very persuasive fashion by men of considerable intellect. But the Thoreaus with their essays on civil disobedience and their sojourns in the wilderness have won few converts. Most men have found it easier to understand the Rousseaus who look longingly back to the days when men lived the lives of noble savages free from restraint and authority, who sigh at the realization that such a time probably never existed, and who turn with some enthusiasm to the enjoyment of life in a civilized society where a

rationally conceived system of law and order guarantees to the individual a reasonable opportunity to express his personality, free from the dark chaos and fearful dangers of anarchy.

This pragmatic willingness of Western man to get on with the business of reconciling liberty and authority, although he has often faltered along the way, has been one of his outstanding characteristics since the revolutions of the seventeenth and eighteenth centuries. Our own English inheritance has been of considerable value here, for the English people seem to have shown more common sense in resolving the paradox than have those of any other nation. Leon Whipple, in his little volume, *Our Ancient Liberties*, a wise and much-overlooked study of civil liberty, writes:

The Englishman is a psychic entity; he does not surrender his personality to any social idol—church or state or king. Yet he can compromise enough, grumbling loudly the while, to get along in society and to save his institutions from anarchy. He seems to be our most practical social animal; and his dual nature, facing both toward personality and toward society, makes him the very pattern for civil liberty. We inherit something of that gift.⁴

And again Whipple points out that when the Englishman and the American talk about civil liberty they have in mind "social liberty, liberty within the State, to be enjoyed by responsible members of society."⁵

The conclusion that liberty and authority are not in any final sense irreconcilable is further strengthened when one remembers the danger of the use of absolutes in this area. It cannot be repeated too often that all rights in an organized society are relative rather than absolute. Justice Holmes's famous remark that freedom of speech does not include the right falsely to shout "Fire" in a crowded theater has been recalled so often that it is in danger of becoming hackneyed, but it remains one of the most perceptive observations ever made about the nature of freedom. Every right is exercised within limits. Freedom of the press stops short of the right to print obscenities; freedom of religion does not include the right to practice polygamy; free-

⁴ New York, 1927, p. 18.

⁵ *Ibid.*, p. 9.

dom of assembly cannot justify the holding of a meeting at a time or in a place conducive to panic or disorder.

Moreover, two rights are often found to be in conflict with each other, and in resolving the conflict one or the other may have to be limited through some exercise of authority. A good current example is to be seen in recent Supreme Court cases involving criticisms of trial court procedures in newspaper articles or editorials. Freedom of the press certainly includes the right to criticize the government, but irresponsible or malicious newspaper attacks upon a judge or a court may be pushed to a point where the right of parties to litigation to enjoy a fair trial in an impartial court is endangered. When such a point is reached, the two rights must be brought into balance and this may well mean limiting one so that the other may be enjoyed.

Another way of estimating the compatibility between authority and liberty is to note that both can show an increase simultaneously. It requires no proof to say that the total measure of government activity has increased many times over in the United States in the more than century and a half since the Constitution was written at Philadelphia in 1787. What is less obvious is that the scope of human freedom has also increased many times over in the same period. In the first place, confronted as we are today with a whole host of new government controls which have appeared along the way, we need to remember that some governmental controls have been dropped. I mention two—the freeing of the Negro from a bondage which very definitely had its basis in law enforced by government, and the repeal of most of the laws which denied woman her place as a full member of society—and suggest that the resulting gain in the measure of freedom enjoyed by millions of Americans perhaps outweighs the loss caused by all of the new social and economic controls we have found it necessary to enact. In the second place, can there be any doubt that our present civilization, based though it is at so many points upon legal controls and restraints, gives to the individual an opportunity to exploit his potentiality which far exceeds the opportunities existing in times past when there was perhaps less government? I have in mind, of course, the vastly

greater freedom enjoyed today by the average individual with respect to his mobility, his right to an education, his right to choose his occupation, and his right to choose how he will spend his income and what goods and pleasures he will enjoy. It is simply not true to say that these gains are merely the products of a higher standard of living brought about through scientific invention and progress, or that they have been achieved in spite of, rather than because of, the establishment of additional social restraints. Quite clearly, our present civilization, with the opportunities it gives to each individual, has come into being because man has been willing to organize himself socially and to accept the necessary restraints implicit in social organization.

What I am talking about can be illustrated by reference to the work of the President's Committee on Civil Rights. The fifteen members of the Committee were by and large conservative men and women who certainly were not anxious to see a further aggrandizement of the power of the state in America. Nonetheless, it is not too much to say that the central thesis of their report is that the American people should take action to strengthen liberty *under* government. In the words of the Committee: "We need more than protection of our rights against government; we need protection of our rights against private persons or groups, seeking to undermine them."⁶ And again: "The Committee rejects the argument that governmental controls are themselves necessarily threats to liberty. This statement overlooks the fact that freedom in a civilized society is always founded on law enforced by government. Freedom in the absence of law is anarchy."⁷

This emphasis upon the idea that government can be a protector of civil liberty is both old and new. That it is old is to be seen in the fact that the Civil Rights Committee found the title to its report in a phrase from the Declaration of Independence, "to secure these rights", the rights referred to being life, liberty, and the pursuit of happiness. Immediately following this phrase in the Declaration come the words, "governments are instituted among men." "To secure these rights, governments are instituted among men." Thus the idea that authority can be used

⁶ *To Secure These Rights* (Washington, 1947), p. 99.

⁷ *Ibid.*, p. 103.

to safeguard liberty was not unknown to the eighteenth century. On the other hand, the idea is new in the sense that the traditional freedom defined by the American Bill of Rights is liberty *against* government. It is not generally realized what a narrow protective base for civil liberty is found in the first ten amendments to the Constitution. Without exception these amendments either by their own express terms or by interpretation provide protection for the rights they enumerate against the national government alone. Someone has said that the trouble with the Bill of Rights is that it was in a sense already obsolete when written because it looked to the evils of the past rather than to the evils of the present or the future. In other words, in the last decade of the eighteenth century men feared above all else the threat to their liberties inherent in the power of central government, whereas in fact the history of the next century and a half, in this country at least, was to show that the most serious threats to these rights would be found in state and local governments, and in the actions of private organizations and individuals. Fortunately, to dispose here of the legal problem, the Constitution has proved itself adequate to the needs of changing times. The means of protecting civil liberty against state and local government has in good part been provided by the Thirteenth, Fourteenth and Fifteenth Amendments. Moreover, the Supreme Court has found within the interstices of the Constitution the means whereby the national government may protect certain rights against private threats, and there is good reason to suppose that this means will be steadily broadened by the Court in the years ahead.

What is the evidence of history that persuaded the President's Committee that there is a need for government—in particular, the federal government—to protect freedom against private encroachment? This is not the sort of question that is easily answered by assembling factual data or by subjecting history to statistical measurement. And yet it is obvious even from a casual reading of American history that the lynch spirit, the hooded mob, and the night rider have been all too common phenomena in our land. Interferences with the right of an accused person to a fair trial, with the right of qualified voters to participate in elections, and with the right of competent workers to a job without prejudice as to their race, religion or

national origin have come as often from private action as they have from public action. To the members of the President's Committee such forms of antisocial conduct by private persons seemed to be as properly matters for disciplinary action under law as are such traditional crimes as murder, arson and burglary. To take just one example, if one man deliberately and maliciously interferes with another man's right to vote, why should not his conduct be regarded as criminal under the law, and why should he not be punished accordingly?

What we have all too often failed to realize in estimating the degree to which man enjoys freedom is that modern society is characterized by private governmental arrangements as well as by public governmental ones, either of which may seriously affect liberty. Such respected social institutions as the family, the church, the business corporation, and the labor union—not to mention such disreputable institutions as the Ku Klux Klan—are themselves agencies of authority through which the individual is subjected to varying measures of social control and discipline. Moreover, some if not all of these agencies are either not intended to function democratically or have as yet not developed internal democratic procedures. Accordingly, they frequently prove themselves to be irresponsible in their policies and their actions. In so far as this irresponsibility results in dangerous and unwarranted encroachments upon human freedom a strong case can be made for subjecting such agencies to governmental controls; for government, in the United States at least, has become a reasonably responsible and democratic institution. With respect to private interferences with civil rights, such a case is made in the report of the President's Committee.

This is not to say that the danger to liberty that inheres in government went out with the eighteenth century. Liberty is always in danger from government. That is a political truth from which there is no escape. There is always the danger that the public officer who has been granted the necessary power to deal with social problems may use that power in such a way as to encroach upon fundamental freedoms. Probably no century has seen the rise of a stronger authoritarian threat to man's freedom than has our own, and the century is only half gone. In our own country today there is good reason to see in extreme forms of loyalty-testing a real threat to personal freedom that

cannot possibly be justified as part of a normal, necessary equilibrium between authority and liberty, although it must be noted that the threat emerges from the actions of private organizations as well as from action of government. We must be eternally vigilant against the tendency to use governmental power to deprive the individual of portions of his freedom for reasons that are not socially necessary or beneficial.

In the end I am merely making a plea for calm, dispassionate thinking as we face the never-ending process of tinkering with the balance between liberty and authority. I have not tried to submit a blueprint that would describe for the years ahead the proper areas of individual initiative and freedom and of governmental action and responsibility, for to my way of thinking no such blueprint can be prepared. To be sure, men live by dogma and by principles and it is perfectly possible to evolve philosophic systems by which the realm of social action and the realm of individual action are delimited. But at best we are bound to feel our way ahead in these most uncertain times. It is probable that whether we like it or not we shall be compelled by circumstances to go in for a considerable measure of collective action as we come to grips with social problems along the way. As I see it, the complex world in which we live is compelling and will continue to compel us to accept increased social controls so that life may remain livable. But I see no reason to conclude that with each new social control the individual must necessarily lose a part of his liberty. Instead, I am suggesting that we avoid stereotypes, emotions and prejudices, and that we try to overcome the tyranny of words and see through to the realities of the way of life that our present-day civilization entails. Of course, each proposal for governmental or social action should be weighed on its merits. Many proposals will and should be rejected as unwise, untimely or unnecessary. But let us not make the easy error of supposing that government and liberty are incompatible. It must be confessed that as a people we are prone to indulge in much loose talk about liberty. We are fond of using such phrases as "*laissez faire*", "*free enterprise*", and "*The American way of life*" as though they meant that the use of governmental authority to curb the freedom of the individual for however worthy a social purpose was necessarily a violation of American traditions. Whatever else may be said of

the generation of statesmen who made our constitutional system, it is clear that when they talked of liberty they did not use the word as though it were synonymous with *laissez faire*.

And yet I am willing to devote my closing words to an admission that there is real danger at the other extreme, too. Liberty in the modern state is dependent upon authority for its existence. But a free people must be ever on guard lest this truth become a mere rationalization which is used to justify unnecessary encroachments by society upon the individual's freedom. If we must rely upon a guiding principle as we feel our way ahead in this fearful world we can do worse than follow the advice of Edmund Burke, who wrote:

Liberty, too, must be limited in order to be possessed. The degree of restraint it is impossible in any case to settle precisely. But it ought to be the constant aim of every wise public counsel to find out by cautious experiments, and rational, cool endeavors, with how little, not how much, of this restraint the community can subsist.⁸

⁸ *Burke's Politics*, edited by R. J. S. Hoffman and P. Levack (New York, 1949), p. 109.

REMARKS BY THE CHAIRMAN

CHAIRMAN HAIG: Our second speaker is Mr. Sigmund Neumann, Professor of Government at Wesleyan University, who addresses himself to the topic, "Trends Toward Statism in Western Europe".

TRENDS TOWARD STATISM IN WESTERN EUROPE

SIGMUND NEUMANN

Professor of Government, Wesleyan University

A HUNDRED years ago the great Swiss sage, Jakob Burckhardt, warned against the coming of the "great simplifiers". Indeed, they came, arrogantly decreeing a New Order, taking the wealth and the will out of man's existence, if not life itself. We defeated them on the battlefield, yet we have not conquered them in our minds. They are still in our midst. "It is one of the devil's wiles to make us believe he is Hitler", Denis de Rougemont rightly stated. In our fight against the legacy of totalitarianism we have often fallen prey to false fronts of simplifications.

The present battle over statism is in such a danger. There has been much wishful thinking. A realistic appraisal of what is at stake has to begin with a conceptual housecleaning. You will forgive me, therefore, if I turn with you for a minute or two to basic principles.

The brilliant young British playwright, Christopher Fry, recently stated, "Poetry has the virtue of being able to say twice as much as prose in half the time, and the drawback, if you do not give it your full attention, of seeming to say half as much in twice the time." What Fry has to say about poetry goes as well for that systematic condensation of facts and data, political theory—only more so. Such a dictum is especially true in this era of the international civil war when political ideologies have taken the center stage, and when a compass through chaos is more needed than ever. Ideas can become the clarifying yardsticks for honest stock-taking; they can also serve as cover-up strategies, dreadful weapons in the hands of clever manipulators of public opinion. If we do not give our conceptual frame of references the proper attention, we may add to, instead of clearing away, the confusion of our time.

It is with the idea of clarifying a much-discussed and dangerously confused issue that we approach our study of statism. Along the battle cry, statism pro and con, the present ideological fronts seem to be drawn. This holds true in the American landscape; it is even more the case for the old Continent.

The study, in our country, of the European experience of statism serves a twofold purpose. It is, in the first place, introduced for comparison's sake, as a forecast of, or warning against, future trends in the United States. Important and enlightening as those comparisons are, a caveat might be in order. Taken out of the social and traditional context of the complex European affairs, their lessons may easily lead to misunderstandings and misjudgments.

This danger could be even critical for our policy considerations, especially as our study of the European experiences serves a second and more crucial purpose. It presents our necessary appraisal of Europe as an ally or an adversary in the present-day conflict. In this world of a shrinking planet, when the United States has become *de facto* a European Power, the appraisal of Europe's political reality presents a part of our own political potentialities. The issue of statism seems to be the shibboleth, the clear dividing line between friend and foe—at least, many responsible and thoughtful people seem to think so.

At the very outset I may state that I cannot accept such a black-and-white drawing that pretends to render us immune against the attacks of statism by a retreat into the spiritual Maginot Line of our free society. In fact, there are great dangers in this prevalent oversimplification of the battle lines. It may make us lose sight of the crucial issue of our century, as Professor Carr mentioned: how to combine freedom and order, how to reconcile free government with the overwhelming onslaught of social needs, how to preserve our liberty without endangering our security, internal and international.

The prevailing confusion around the issue leads me to the third reason for a study of European statism, beyond its significance for comparisons and political alignments. The European discussion that has been going on for a long time, certainly long before the concept of statism became a fashionable term, may help us in the crucial definition of a much-abused notion.

The Meaning of Statism

Concepts have their way of cropping up. Coming and going they indicate the mood of a time and its deep concerns. Statism has become such a key concept. Its ambiguity, unfortunately, has been one of its chief attractions. Even dictionary definitions are not of much help. While Funk's *Standard Dictionary* identifies it with statecraft—and quickly adds a cross indicating that the term is obsolete (I wish it were) by now—Webster defines statism as a "Belief in a state government as in a republic, in contrast with a belief in communism or a Soviet government."

Such an official definition—and Webster is official—certainly runs counter to the popular usage of the term. The word, as it is defined in present-day discussion, connotes, in fact, the very opposite. To pick at random the formulation of the recent President of the Bar Association, Frank E. Holman, we hear that "Statism is any form or structure of government which regiments the citizen, introduces him to the status of a Ward of government, so that the citizen becomes a subject of his own government and ceases to be a free citizen." In other words, statism is increasingly defined as a substitute for "totalitarianism", at least as a steppingstone toward the system of government against which we fought the Second World War.

If I am correct, this present-day usage appeared in Mr. Herbert Hoover's Seventy-fifth Anniversary speech and has attracted many men in public affairs as a broader line of attack than socialism or totalitarianism. In fact, it is part of the general attack against planning and the welfare state which, in the words of Herbert Hoover, "has emerged as a disguise for the totalitarian state" and has put us on "the last mile to collectivism". Statism—the very anonymity of any ism—makes it the foe of free men and their initiative. It has become the catch-all phrase for all opponents, just as Milton in the mid-seventeenth century, viewing with alarm the ostensibly freer Presbyterian control of Parliament, finally concluded that "New Presbyter is but old Priest writ large."

Crucial though such a polemic term may be for the clarification of our inner-American controversy, this onerous connotation is most misleading for the phenomena of statism in Europe. There statism means clearly the expansion of the

state's responsibilities. Behind this expansion stands a shift in the idea, scope and power of the government. It has been a long way from the "Night Watchman to the Welfare State concept", from laissez faire to state intervention. In order to appreciate fully the causes and consequences, the promise and perils of such a development, one has to understand the specific reasons for the growth of the modern state in Europe. At the outset one may do well, however, to differentiate between the short-range reaction against and the long-range prospect for statism on the Continent, especially as these trends seem to contradict each other.

The Aftermath of War and Totalitarianism

On first sight, the trend even in Europe seems to go strongly against statism. There is a definite cooling-off toward controls and nationalization. The enthusiasm for extending the government's powers, which was prevalent at the hour of the national liberation, has definitely subsided. There is even a widespread realization that Europe's crucial economic problems—the balance of international payments, export quotas and shrinking markets, manpower distribution—are not at all met by the issue of socialization, though politicians cling stubbornly to programs that before had shown the quality and attraction of vote-getting strength.

The elections of the last two years, beginning in Italy and France and continued in Belgium, Austria and West Germany, in New Zealand, Australia and finally in Great Britain, definitely show a setback for the parties that are identified with strong state intervention, namely the Left, and an increase in strength for the more conservative parties that want to curtail governmental controls and regulations. Yet it is important to remember that nearly half of the British electorate still voted for the Labor party, and that the Socialists on the Continent command an almost equally wide appeal. Moreover, even the rising opposition of the Conservatives is far from "noninterventionist". Did not Churchill try to out-Beveridge the Beveridge Plan in the surprising elections of 1945? And all that the election platform of the Conservative party of 1950 demanded was to "give the people a chance to make the most of their lives, give opportunities rather than regu-

lations." The gains of the Conservatives indicate only that they have activated new social groups and that they have won a wider popular confidence in their ability to do a better job than the present incumbents of power. It would be definitely a misinterpretation of the European election returns to read into them an irrevocable turn against statism. Europe is unlikely to find its way back to a lesser degree of state control, and as a whole the public is aware of the fact. Maybe reluctantly so. The often embittered criticism of the state in today's running debates may well be a reflection of this certain helplessness in view of the powers in being and a nostalgia for "Paradise Lost" (which, incidentally, Europe never possessed).

The reaction goes deeper, however. The spiritual climate of the aftermath, though it cannot be easily measured nor fully explained, is apparent all over Europe. We are still in this natural pendulum move against the war society. War creates controls, and the aftermath naturally shows a strong reaction against them. After World War I the DORA (the Defense of the Realm Act) with its controls was bitterly fought and quickly shelved. Yet even this natural desire for "freedom" did not lead Great Britain back to nineteenth-century *laissez faire*.

There is no return to past freedoms after a war. Remnants of control remain; and, while the Continent moves on to bigger and more total wars, the sphere of independence is increasingly curtailed. Moreover, the fatigue and relaxation of the morning after invite an escape from state and politics, and this very retreat into privacy by the many allows a few decided men to push forward in their strategies of infiltration. While nobody is looking, states have been conquered by articulate small bands who know what they want.

The strongest sentiments against statism are significantly registered in countries that have suffered under dictatorship. Here the double reaction against the all-inclusive controls of war and totalitarianism have naturally aroused a realization of human freedom and dignity. This is partly true of France. Her memory of the New Order and the heroic resistance against it has led to fruitful beginnings in the M.R.P. and other movements. The *élan* seems to be lost by now. However, the story of the political effect of the resistance is not yet written. It is

too early to tell its lasting impress on the French political society.

In Germany the reaction seems to be even more outspoken and enduring. In fact, the revival of liberalism is most surprising to the circumspect observer. It would be wrong to dismiss this genuine turn as sheer romanticism of some old-timers. The liberal idea has seized upon the imagination even of many young, who have become its ardent champions—indeed, a rare phenomenon of the political front. The liberal appeal goes far beyond President Heuss's liberal party. It has infiltrated the S.P.D., especially in Berlin, the quartered city, that prize of German courage and common sense, where the proximity of the U.S.S.R. is a daily reminder of the valor of freedom. Economic liberalism is the official party line of the ruling Christian Democrats. With German *Gründlichkeit* and dogmatism, its Minister for Economics, Dr. Erhard, had proclaimed a policy of complete laissez faire and the determined restoration of a "market economy". The phenomenal recovery of Germany, its sharp rise in output, after the currency reforms, seemed to justify his faith, but the more recent economic difficulties have shattered the belief in the removal of all governmental controls.

Yet, far beyond economics, a liberal philosophy has permeated wide circles. It is significant, for instance, that probably the most talked about book on the Continent is still Burnham's *Managerial Revolution*, which by now even its author discards as an inadequate treatment of the contemporary problem of state and society. What made it a best seller in Germany and elsewhere was its seeming wholesale attack against the managers, the bureaucrats everywhere—in economics, in the political parties, and, above all, in government.

Having said all that, about a genuine reaction against the encroachments of the Leviathan state and society and the strong reassertion of individualism among the articulate spokesmen at least, one still must recognize the deep traditional roots of statism in Europe.

The Lasting Tradition of Statism

Statism in Europe is not of yesterday; it will not be destroyed by tomorrow. It is a permanent feature of the European landscape.

The golden age of *laissez faire* was a myth in most of the Continent's nations most of the time. There certainly were and still are differentiations in degree; they often meant even differences in kind of statism.

The plight and position of the burgher are good indicators of the rôle of the state. The middle class, the backbone of the modern democratic state, does not exist for all practical purposes in those countries where statism is the declared form of government; for instance, in Turkey, where, despite or because of the Kemalist Revolution for Westernization, the Byzantine tradition is still the order of the day. Statism is also the rule in the Iberian Peninsula, and not only since the "enlightened" despotism of Franco's Spain and Salazar's Portugal.

Deeply embedded authoritarian traditions have given the state a key position in Prussia-Germany. Even its rising capitalism was a feudal capitalism, instigated by the state as an entrepreneur, the Army as a first big consumer, and the bureaucracy as a chief organizing force. Germany's belated unification "from above" and the ensuing Bismarckian compromise bound the young capitalists to the all-powerful state, that in return for "loyal obedience" to the régime promised colonial markets abroad and protection against growing proletarian unrest at home. The middle-class acceptance, in politics and society, of the experienced hands of the *ancien régime* was but a prelude to its final self-surrender to National Socialism, the habitual escape from political responsibility.

Similarly, where the middle class succeeded in winning power and control, it did so with the help of the state and the continued assistance of the government which it now possessed. Despite the proverbial French individualism and peasant suspicion against central authority, which temper the power of the state, here too the middle class rose in the shadow of the court and its much-needed guarantee of "law and order" against the arbitrary rule of a preceding feudalism.

Even Great Britain's proud and independent merchant adventurers relied on the backing of the powerful state that ruled the Seven Seas. With the end of the unchallenged insularity, of the *Pax Britannica*, and of a far-flung Empire, the government, Labor and Conservative alike, is in the business for keeps.

This short catalogue indicates the lasting preconditions for the growth of statism. Wherever insecurity of geographic

position gave a high prize and prestige to the guarantors of security, namely, the military, the government became strong. Wherever the hardships of eking out a living called for a united effort and governmental help, a bureaucracy—skilled, permanent and paid—took a key position. The accompanying ideologies soon glorified, even deified, the state. Yet, the reality proved that the very survival of the individual called for governmental support.

The Contemporary Crisis Society

On top of these long-range experiences, more recent developments emphasized this dependence of the European citizen on the state, if it did not destroy altogether what had been regarded the traditional middle class. It has been a slow erosion over half a century, and, though accelerated by the war (as every social political trend is) and epitomized by the garrison state of modern totalitarianism, it is not just a phenomenon of dictatorial nations, past or present.

European society underwent a fundamental change and encountered critical tests in the fourfold attacks of concentration of capital, money inflation, the great depression, and the unspeakable destruction in men and material of two world wars. After that, there can be no return to normalcy.

Independence had been the mark of the burgher in the Western World. This prize possession faded away in the stage of monopolistic economy. While Karl Marx's somber prediction of the early destruction of the middle-class society did not come true, this was not the least due to governmental policies, first helping the imperialistic expansion of the market, and then cushioning the economic deterioration and insecurity of the proletarian masses, in line with the English Tory statement, "If you do not give the people social reform, the people will give you social revolution." The trade unions were another institutional force (with all its dangers of bureaucratization and petrification, to be sure) that helped in stabilizing and reintegrating the urban industrial society. Thus, the proletariat joined forces with the most reliable fighters of the national, democratic state.

This was not the case with the newly emerging crisis strata: the frustrated middle class of inflation days and its shifting salariat, the restless, rootless unemployed of the great de-

pression and the smaller, though articulate, group of young soldiers of fortune, those irregulars who did not find their way home from the battlefields of the First World War and who lead the march into the Second. They became the amorphous masses, the raw material of the emotional governments of modern totalitarianism.

The greatest dangers for a stable post-war society will again derive from the very same groups which formed the mass following of rising National Socialism. Its military defeat does not spell the end of these amorphous masses. On the contrary, the dictators have left a legacy of appalling chaos of wholesale war destruction, gigantic black markets, and irreparable dislocations of men and material. An impoverished middle class that has no capital basis for its economic enterprises, the glamour and conspicuous consumption of the few *nouveaux riches* notwithstanding, cannot fill this social economic vacuum. The state will have to step in, and even all forces of feeble Europe combined cannot accomplish this necessary economic rehabilitation.

The early rise of widespread unemployment is the most portentous warning. Here threatens another political reserve army like the one that once before broke the dams of a stable society. And there are again the uprooted irregulars—now millions of them—of displaced persons who have been sent on the road of despair and death by the Nazi conquest of *Lebensraum*. And now, in consequence of that arrogant New Order, the *Volksdeutsche* are really in search of a bare living space and their motherland cannot give it to them. The re-integration of these post-war masses is an assignment that goes far beyond individual endeavor. It even goes beyond Europe's strength.

It is against this uneasy background of paramount tasks that the place and policies of the state in Europe must be measured. There is no escape from these duties because the life of European society and the peace of the world depend on it. Realizing that, one may well be disturbed by the fact that the alternatives are again presented in those dangerously unreal contrasts that breed chaos and confusion.

Only a period, ripe for dictatorship, could conceive the false idea of a leaderless democracy. In order to overcome the dictatorial onslaught, democracy will be in bitter need of leaders,

for eventual post-war reconstruction will depend on the presence of courageous direction. Only a period, dangerously receptive to totalitarianism, could pose the crucial issue of our time as an alternative between freedom and order. This is stacking the cards in favor of dictatorial totalitarianism which promises order and leadership—both precious to the harassed masses of our time.

There is leadership and there is planning in every society. The question is who is leading and for what the responsible are planning. It is the crucial problem of the selection and free flow of leadership, and, above all, of safeguards and controls that decide the quality of the government's performance. The choice is not between the absolute individual and the absolute state. What is needed is a new balance between the individual and society. The complete isolation of modern man, prisoner of the urban colossus, of a machine civilization of continuous expansion, has awakened in him a tremendous yearning for reintegration and synthesis. This natural impulse has been abused and exploited, and still is exploited—in many ways beyond repair—by the demagogical manipulators of perturbed man. They forced him into the artificial unity of the drill squad. They almost succeeded in establishing their totalitarian world control. This deadly danger which the democracies barely escaped may serve as a supreme warning.

What is needed is a social individual who can find a new adjustment between individual freedom and planned society. Taking such a balanced view, the European experience can give us useful leads and can show us how to strengthen our friends abroad and how to preserve our precious liberties at home. This task will demand vigor and perspective, passion and perseverance, bold daring and a dynamic faith.

REMARKS

CHAIRMAN HAIG: Professor Neumann has discussed for us "Trends Toward Statism in Western Europe". Our next speaker addresses himself to "British Experience with Nationalization".

It is perhaps fair to say that we have become accustomed to regarding England in a peculiar fashion. We are so dependent upon England for much of our institutional framework that we always watch what is going on in England with special interest. Recently we have been following events in England with varying degrees of apprehension, depending upon our different social philosophies; and I am sure that we welcome this opportunity to hear from an eminent authority on Britain a description and appraisal of these recent occurrences.

It is a great pleasure to introduce Mr. Redvers Opie, now of the Brookings Institution, former Counselor and Economic Adviser to the British Embassy in Washington.

MR. REDVERS OPIE: Mr. Haig, Ladies and Gentlemen: I hope the fact that I am to talk about foreign experience does not shut me out altogether from talking about basic principles, because in the paper I prepared I begin with some discussion of basic principles, for a good reason which will emerge in the course of my paper.

THE BRITISH EXPERIENCE WITH NATIONALIZATION

REDVERS OPIE

Brookings Institution

Former Fellow of Magdalen College, Oxford

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Washington, D. C.

THE underlying reasons for the adoption of a policy for nationalizing industry by the British Labor party are not altogether clear. Before the recent election in a statement on the socialist principles of his party, written especially for American consumption, Prime Minister Attlee saw fit to begin by repudiating the charge that British socialism is doctrinaire or hidebound by rigid dogmas. He stated (this was in the *New York Times*) disarmingly that all parties have their principles and their dogmatists, but he admitted that "Socialist principles are a good deal more positive than any others." He referred to the socialist "conviction that all men are born equal"; and in case anyone should complain that "dustmen [garbagemen] earn about as much as teachers" in present-day England, he would point to the greater cause for complaint in the fact that "stock-brokers get more than professors."

Whether or not such beliefs and attitudes reflect a rigid adherence to dogma depends on how they affect action in organizing the economic and political body. Mr. Attlee claims that socialism is empirical in its approach to problems, and as an example he states that "the principle of 'public ownership' or nationalization has never been laid down on a rigid doctrinaire basis." By this he means that socialists conceive of the appropriate organization as varying from one nationalized industry to another. But while this may be true, the originating *impulse* to nationalize may still be derived from dogmatic beliefs about the nature of man or of capitalist society. And in this case the very foundation of the argument for nationalization may be doctrinaire, in spite of what Mr. Attlee says.

There is evidence of dogma in the negative aspect of the

socialist political philosophy as well as in its positive aspect; in the denunciation of other philosophies as well as in the exposition of the socialist faith. To quote Mr. Attlee again—and a higher authority could hardly be found today—"liberal laissez-faire trusted to the blind play of economic forces. Conservative economic direction was in the interests of a limited class. Under both systems, or lack of systems, unemployment and alternating booms and slumps were regarded as inevitable. . . ." The words liberal and conservative were meant to describe the rival political parties in England today, but neither in this sense, nor in the more general use of the terms to describe political philosophies, will Mr. Attlee's generalizations stand examination. It is a misreading of history to attribute a belief in the blind play of economic forces to the liberal writers or statesmen of the nineteenth and twentieth centuries. And in what country or period has the business cycle been regarded as more manageable and less inevitable than in capitalist America of the 1920's, when Federal Reserve policy and the ingenuity of numerous research organizations were concentrated on taming the cyclical animal?

To make such criticisms of the British Labor party's dogmas is no idle exercise in polemics. A sense of the direction being taken by the socialist government in Britain, and a sound critical standpoint toward it, require an understanding of its basic principles. Whatever may be the political philosophical basis for the trend, it is undoubtedly true that politico-economic developments of the twentieth century have tended to ignore, and even to obliterate, the individual. In the realm of ideas there is nothing new in the opposition between the individual and the state or other group organization. We need only think of the philosophical concept of the state in the writings of certain German authors to drive home this point. What is new and astonishing in this century is the extent to which the disregard of individual rights has been carried by the ruthless organization of the state in totalitarian régimes, and especially in Russia. Questions that can be asked only if the moral worth of the individual is postulated as axiomatic have been outlawed as effectively as individuals or whole classes have been liquidated for being part of the opposition to established dogma. It would be a paradox if a similar disregard of individual liberty occurred in Britain where one of the declared purposes of socialism is—

paraphrasing Mr. Attlee—to add to the dignity of the individual through the medium of a planned society.

If I may be allowed to quote from one of the younger pre-war intellectuals in the British socialist party, who died young but lived long enough to become a Junior Minister in Mr. Attlee's government—the first government—the continuity of ideas in the party can be shown. Writing on socialist credit policy more than ten years ago, the late E. F. M. Durbin said:

It is not possible . . . to execute a levelling policy by taxation within a system dependent for its growth and plasticity upon the savings of the rich. Economic democracy cannot be secured in an economic system whose strategic points are controlled by the propertied interests. Hence equality must be preceded by the social control of industry. Industrial nationalization is the necessary prelude to Socialism. All this is quite familiar reasoning. But it will be quite impossible to control the industrial system without nationalizing and controlling the sources of money and credit upon which the industrial system depends.

This familiar reasoning appears in the latest statement of principles by the Labor party, in the pre-election manifesto, "Labor Believes in Britain." The party was stated to be seeking "freedom from the enslaving material bonds of capitalism." One of the four basic principles laid down was "that the economic destinies of the people should not be dictated by a privileged minority of owners." For this reason the party had set out "to place economic power in the hands of the nation." This was the foundation of the approach to nationalization. It leaves little room for empiricism except in so far as the Labor party might claim that there are variations in the extent to which "capital has, through inefficiency and employment, wasted the capacity to produce that the machine has put in our hands."

There was some indication of the doctrinaire approach in the scope of the nationalization program in 1945. The list of industries included the Bank of England—if I may for the moment regard the Bank of England as an industry—telecommunications, civil aviation, coal, rail, road and inland water transportation, electricity, gas, and iron and steel. It would have been difficult to argue that the Bank of England as it was

functioning in 1945 constituted a barrier to any of the aims of socialist policy. Nationalization could hardly make much difference to the total power exercised by the state over monetary policy, whatever might happen to the Bank itself by giving it more of the status of a government department. Yet legislation to nationalize the Bank was the first to be promoted, and the onlooker cannot escape the conclusion that its propagandist importance in the party ranks was the main reason for putting it at the head of the list. Similarly, the original inclusion of iron and steel, and the persistence shown in keeping that industry on the list in view of its vigorous good health, indicated that the reason for it was not so much an empirical appeal to necessity arising out of productive inefficiency as the ulterior motivation of socialist doctrine.

It is true, however, that the advocates of nationalization in Britain have not been consistent in advancing reasons for it. Sometimes it appears that they are not satisfied that the broader social purposes of the socialist ideology are sufficient arguments for nationalization. In some cases, therefore, the reason given is the necessity of regulating monopolies, and of allowing the state to penetrate more deeply into the administration of industry than is possible by control that stops short of state ownership. Or sometimes the reason given is to divide the product of industry more equitably between management and workers or to make the workers more contented by giving them a greater voice in the management of their industry, or simply to get rid of the profit motive. Or again it may be argued, as in the case of inland transport, that nationalization provides the only solution of the financial difficulties in which the railroads found themselves as the result of the competition of truck haulage. To this was added a belief in the more efficient long-run results of an integrated system. In other words, the objective was to create a state monopoly because monopoly was the most efficient form of organization.

The "appeal to efficiency" type of argument has greater potentialities for empiricism than the "socialist objective" type of argument. It has been pointed out that in the case of coal both types of argument were embodied in the nationalizing legislation, the one appealing to increased efficiency of administration, the other to social needs. The difficulty in this case then

is to determine in running the coal mines whether efficiency or this wider social purpose takes precedence in the public interest. A critic of the steel nationalization bill has pointed out that the arguments advanced by the government were also a mixture, based partly on strategic needs and partly on the importance of steel in national "planning", the necessity of which was taken for granted. The inadvisability of depending on the profit motive in setting targets for output was also taken for granted in stressing the strategic needs. It may well be asked where the line is to be drawn in the nationalization program if strategic interests are to be the basis of nationalization; and the mixture of this argument with the more strictly socialist argument is an indication of a feeling that the latter is not sufficiently strong to stand alone. This line of argument pays only lip service to the body of doctrine that we were told constitutes the familiar reasoning of socialism.

Now I come to certain general features of the British nationalization acts that deserve attention. On the whole they seem to make average costs the guide in their pricing policy. They require the balancing of outlay and receipts over a period of years on the assumption that this is in keeping with business practice, where losses in bad years are recuperated in good years. On the other hand, it has been more than hinted that in a period of slump and unemployment the government might think it undesirable to insist on covering costs at all. This is understandable, for a socialist government that attached importance to planning on the national scale would not be likely to refrain from introducing deficit spending into the individual nationalized industries as an instrument of employment policy, even though this practice might play havoc with tests for efficient operation.

Furthermore, the acts say the balance is to be struck by each National Board for its total operations rather than for individual manufacturing plants or products. The significance of this will vary considerably from case to case according to the homogeneity of the product. Even in a commodity like coal—which is much less homogeneous than its common blackness would indicate—many difficult problems relating to individual products and operations might be buried in the balance struck for operations as a whole. The weeding out of the unfit is not

made any easier by the possibility of offsetting losses in some high-cost firms or areas by profits in others. Or, in the case of competing products such as road and rail haulage, what is to be the test of whether or not high rates on the roads are keeping the railways alive? Perhaps of more interest to the outside world is another form of discrimination, against the home consumer and in favor of export sales. Dumping is not a phenomenon peculiar to nationalized industries but it might become a more delicate international political problem if it were the accompaniment of state trading.

Another interesting provision in some of the acts is that for the amortization of capital. You see, even in a socialist world, importance is attached to the amortization of capital. It might be argued that the obligation to amortize capital provides less flexibility than is to be found in the system of private enterprise, in which capital is wiped out if earnings are insufficient to amortize it. In the case of a commodity such as coal, which is competitively priced in a world market, a fixed charge for interest and amortization might be a serious handicap, leading to additional pressures for subsidies or differential prices in export markets.

For the stimulation of efficiency in the nationalized industries great reliance is placed on external criticism. This is expected to come from the people in general, who can air their grievances to the National Boards; from consultative councils established for the purpose; from the trade unions, which are likely to be interested not only in prices and wages but in general efficiency since it is on this that wage increases and reductions in hours depend; and from questions in Parliament. In the special case of the health service, a provision is made for complaints from patients by the establishment of machinery at the local and central level. Efficiency is also expected to be stimulated by the power to appoint and discharge personnel possessed by the National Board; by the competitive spirit between different regions in the same industry; and by the supervision of the minister in charge and the general critical attitude of other ministers at the government level.

The functions of Parliament and the powers of the minister responsible for the industry raise questions that have not yet been fully answered in British experience with the public cor-

poration. This form of organization is not new. It has long been used for docks, transportation, broadcasting, and electricity—the earlier state enterprise of the public utility type. Parliament is in the position of customer and stockholder. Controversy has arisen over its rights as stockholder to question the day-to-day operations of a corporation. Practice has varied. In the case of the British Broadcasting Corporation the precedent has been established of refusing to answer questions on its internal management or even on its general commercial policy. In the case of the BOAC, on the other hand, the minister is expected to answer questions on operating policy and daily administration. This is said to place the management, which is responsible to the minister, in a difficult position. It is argued that the minister should be in the position of trustee to the stockholders, and that he should give a yearly (or other periodical) accounting to Parliament, leaving it to him to establish the relations of confidence with the management on which sound administration depends.

The powers of the minister over the National Board—the managers—is a very thorny subject. The legislation gives the minister certain powers of direction in matters that affect the national interest. Of course, the “national interest” is hard to define. This is the point at which socialist objectives are most likely to impinge on administration. The desire to create employment or to prevent unemployment may override the claims of efficient operation. Or a five-day week may be decreed by the minister, as happened in the case of coal, despite the struggle for higher output and lower costs. These political decisions threaten the autonomy of the managers.

Even if all the facts pertaining to British experience in nationalization were available, it would be impossible for me to assess them within the compass of this short statement. It is too soon, however, to expect information adequate to judge the results. Furthermore, the appraisal of results may be for long (if not for ever) beset by one great difficulty—the lack of a basis for comparison. Experimentation on the controlled pattern of the laboratory is notoriously difficult in social science. How shall we ever know how well the British railways would have solved their problem without nationalization? The total nationalization of all these industries, urged on broader grounds

than intelligent experimentation in industrial efficiency, passed up whatever opportunities might have been made to test what the state could do by comparison with private enterprise in comparable situations. For a long time, results, in so far as they bear on economic efficiency, will have to be judged by very general criteria, and to be compared with results in analogous, not strictly comparable, situations in other countries. This appraisal may not be worth much more than the *a priori* arguments for and against nationalization. To the socialist, who insists on judging achievements against such aims as eliminating the profit motive, they will be worth nothing at all.

Certain facts may be given, and tentative generalizations ventured, on the results to date. If losses mean anything, transportation does not show up well, for they increased from £4 $\frac{3}{4}$ million in 1948 to £20 million in 1949 and are estimated at £30 million for 1950. It is said that costs rose more than in proportion to the cost of labor and materials because service was increased without any accompanying increase in traffic. The railways have priced themselves out of the market. On the other hand, by way of excuse it is said that an integrated transport system has not yet been achieved and is now not expected to be until 1955. If this is alleged to have adversely affected returns, the further question arises whether a different tempo of change (if not a different organization) might not have been more commendable. The task of "integrating" over 2,000 trucking companies with the railroads, to say nothing of docks, canals and hotels, might well put strains on human powers of organization. We do not know how the railways would have met the challenge of road competition (with whatever governmental controls short of nationalization might have been decided upon) in a period when enormous capital expenditure was required as a result of wartime neglect. Here again, we can only guess what the results might have been if we had not had nationalization.

Coal presents similar problems, although the Coal Board fortunately is not faced with the problem of integrating all the fuel industries. They did not bring in coal and combine it with oil, as they brought in water and roads and combined them with railroads. The variations in productive conditions—type and age of mine, quality of coal, local labor supplies—are

enormous, and the task of central management correspondingly great. It is generally admitted that the Coal Board has had teething problems. A loss of £23 million in 1947 was turned into a slight surplus in 1948. But about 80 mines producing only 4 million tons, or 2 per cent of total output, made a loss of £5½ million, indicating the difficulty of closing down un-economic mines. Absenteeism has been a great obstacle to increased total output in response to government exhortations to the men to produce the equivalent of 5½ days' work in 5 days. Although absenteeism is to be attributed partly to more general economic conditions, such as the pay-as-you-earn income tax system, it also reflects the failure of labor-management relations to improve. In this respect the results of nationalization have been disappointing in coal as in other industries.

The policy of the government has been to maintain the existing system of collective bargaining, including the right to strike, although it was hoped that strikes might no longer be necessary in nationalized industries. In fact the prevalence of unofficial strikes and of disputes indicates that the morale of the workers has not greatly changed. Some of the men in the coal industry lament that it is harder to find someone to whom to complain than in the old days.

It is too early to pass judgment on the extent to which management can now be chosen on the basis of merit rather than ownership—one of the objectives of the change. Selections to the National Boards have in some cases necessarily been from the old management group—the Coal Board, for example, being headed by a leading figure from private industry, the former head of the greatest English coal-producing and exporting firm. Experience is showing the difficulty of making the Boards into a good executive body, especially when the members are not chosen with a view to operating as a team. The prejudice against part-time members of corporate boards of directors that previously existed may be evaporating after experience with full-time directors who also serve as executive heads of departments. Opinion is swinging around to appreciate the advantages of part-time directors who were not necessarily experts but were men of broad outlook.

The limited experience in Britain so far points to no positive conclusion. No disasters have occurred—at least they have not

been detected—and it is not even clear that any losses can be attributed to bad management. In most cases the nationalized industries are managed by the same people; and, whatever changes in motivation may have occurred in the management group, they have not had time to show their effects. There is still a widespread feeling that, in coal, transportation and electricity, the major difficulties could have been overcome only by a degree of intervention not significantly different from government ownership or operation, and that nationalization may have been justifiable in these industries on grounds of efficiency. On the other hand, uneasiness has been created by the doctrinaire arguments for the extension of nationalization. Two types of fear are outstanding: that British economic life will be bureaucratized; and that the supply of venture capital and of enterprise will dry up at the source. These are both serious prospects. The thirst for power of the bureaucrat, large and small, is not to be ignored; and some observers in England are already concerned by the evidence that members of the civil service enjoy the power that government ownership and operation of industries bring them. Perhaps Mr. Attlee would say that it is the dogma or principle of political party that makes some of us believe that risk-taking and imaginative leadership are likely to be plentiful only in a society more individualistic than conforms to the socialist's ideal. But the fact is that with open minds we can test the assumption. And if the socialists will equally put their assumptions to the test of experience it should be possible to avoid a doctrinaire attitude to the experiments in nationalization. Some of the originating impulses to nationalize, however, have little if anything to do with the economic efficiency of the results. The fact that this early stage is where the doctrinaire influence is greatest points to the outstanding lesson of experience to date—the importance of being clear on the reasons for advocating nationalization.

REMARKS BY THE CHAIRMAN

CHAIRMAN HAIG: In this country, we are accustomed to sing about "Sweet Land of Liberty," using the tune of *God Save the King*.
[Laughter]

We are, of course, concerned about the outlook for freedom. I imagine that each one of us individually has undergone a personal emotional experience in recent years as the problem of preservation of some of our fundamental liberties has been raised afresh in this country. And we have been brought to a realization that we do care very deeply about many things which we had come to accept in these recent decades more or less as a matter of course.

I am sure that the topic which has been selected for the final paper on the program, "The Outlook for Freedom", is one which will command the attention of each one of us, and that we will follow the discussion of Professor Mills, Professor of Economics and Statistics at Columbia University, with deep interest as he discusses this topic.

Professor Mills!

THE OUTLOOK FOR FREEDOM

FREDERICK C. MILLS

Professor of Economics and Statistics, Columbia University

I

IF this meeting had been held in 1850 rather than in 1950, those in attendance would have had fewer doubts than we have today concerning the outlook for freedom. It is true that the freedoms enjoyed in 1850 in the Western World as a whole were much more restricted than ours. Except for a privileged minority political and economic freedoms were narrower, social freedoms fewer. But a strong wind of freedom was blowing: men believed in the perfectibility of man; a great mass of constraints and restrictions had been swept away during the preceding years; the encrusted duties of status had been shaken off in much of western Europe and the Americas, and men were making their own arrangements and ties in life. John Stuart Mill reflected the opinion of his time in looking forward to the flow of a slow but ever-widening river of human improvement. Poverty would be banished, man would become a nobler animal, and freedoms would steadily expand.

True, there was one dissenting voice. Karl Marx tolerated no fallacy of idealism, no optimistic view of widening rights and extending privileges, no faith in gradual improvement. The paths we were following would bring not increasing freedom but increasing misery; not growing equality but human degradation. The ultimate crisis to which historical necessity was driving men would come with the victory of the proletariat. Then, in unspecified ways, would come freedom for all in a classless society.

But this dark picture of the road to salvation had little effect on contemporary opinion. Men's thoughts were dominated by the theory of infinite progress, supported by the record of social change during the century preceding and shortly to be buttressed by the doctrine of evolution. This easy optimism about the perfectibility of man and the inevitability of progress has been terribly weakened if not shattered in our time. It is

not alone that new physical powers have been unleashed. Dark and almost forgotten possibilities in human nature have been revealed. Forms of political organization that seemed adequate to the needs of nineteenth-century man threaten to fail us as we face the problems of the twentieth century. A world that seemed nicely ordered and tractable has become disorderly, intractable and unpredictable. In the face of these shifts the outlook for freedom today is not what it was to John Stuart Mill. We cannot be sure that an ever-widening river of human improvement will bring a steady increase in human freedoms. We cannot even be sure of retaining the rights and privileges we enjoy today.

The development of human freedom has been a process of escape from obligation to choice. But this is not a one-way movement. Historical change may bring new obligations. Areas of optional behavior may expand for some groups and contract for others, as the distribution of economic and political power shifts. The composite bundle of obligations and free choices changes its mixture from time to time. It is true that certain central values persist, that there are certain crucial freedoms that have come to be cherished above all others in democratic societies. At the very center of the bundle of freedoms that we prize today is freedom of ideas, freedom of the individual mind. Without this freedom all others fade.

My task in this program is to consider some of the forces that are affecting the character and scope of our freedoms. It goes without saying that I do not know what the future holds. Yet it is doubtless worth while to examine certain of the movements that are modifying the complex of obligations and freedoms by which each of us lives.

II

Our freedoms today are, of course, affected by pressures from without as well as by internal trends. I note, first, certain of these internal movements.

High among the forces that have altered the conditions of life over the past century has been the development of productive methods. Technology has bound man while it has freed him. Here, perhaps, is an almost perfect illustration of the process by which areas of choice and of obligation expand

and contract, as they adjust themselves in new combinations. The machine, the assembly line, the rationalized factory, introduce order in productive methods; they lay corresponding constraints upon the work force. Freedoms are restricted in the tightening of productive procedures. Yet productivity has been enhanced—and greatly enhanced—by just those changes that impose orderliness upon the productive process. If we look at the last fifty years alone we may say that roughly one half of all the goods and services turned out in the United States in this period would have been lost if productive efficiency had remained at the level of 1900. All but a minor part of this great gain has gone to advance the living standards of the population at large.

This statement invites the obvious response that man does not live by bread alone—that in dealing with freedoms we are concerned with higher, nonmaterial things. This is surely true. But it is also true that under the umbrella of rising living standards freedoms and things that are fundamental to freedom have expanded as they would not have done without this material support. Schools, libraries, books, roads and radios have widened horizons. Education and the diversity of interests that education permits have become possible for millions to whom they would have been debarred under the conditions of life in 1900. The reduction of the work week from 60 to 40 hours has given freedom in the use of time to millions of persons whose forebears were bound by tight compulsions over long working days. A diversity of new goods has stimulated and satisfied new and old wants—and these goods include many that nourish and enrich personality. These benefits surely overbalance the constraints that technology has imposed.

This record of economic gains and of corresponding extensions of freedom stands in sharp contrast to the picture of economic oppression and increasing misery that Marx painted one hundred years ago. The economic determinism we have known has been one that reversed the Marxist projection. Schools, libraries, shorter hours, advancing living standards, dispersion and progressive equalization of economic power—these, and not chains, starvation and misery, have been the fruits of economic change.

In saying this I am far from contending that growing productive power guarantees the extension or the maintenance of freedoms. But I would contend that the fruits of productive power, widely disseminated, can nourish and stimulate freedoms. Absolutism feeds on misery and ignorance. The maintenance of the productive and re-creative powers of the economy and of conditions that ensure a wide sharing of the fruits of productive effort is essential to the maintenance of freedoms. There is no reason to doubt that we in the Western World shall maintain the material foundation of freedom.

In the discussion of freedoms I have contrasted obligation and choice. Choice, in the economic sphere, is expressed through a system of free prices in a free market. It is through such a system of prices that the sovereign power of the consumer is exercised. Administered and supported prices, controlled interest rates, regulated output, centrally planned investment, fixed wage rates—these and a wide variety of devices aimed at the conscious direction of economic activity represent an alternative to control through the free choice of final consumers. A completely free system we have never had, of course, but there can be no doubt that the aggregate of controls exercised by business, by labor and by government has expanded over the last fifty years, while the area of the free market has contracted. Organized labor has gained great new powers; over large sectors of the economy wages are fixed through industry-wide bargaining. In the business sector concentrations of power with ability to administer prices persist. And it is one of the great facts of our time that responsibilities for the maintenance of economic health and for the provision of minimum security for members of the population at large have been assumed by the state.

I think that these movements are, in the main, irreversible. Atomistic competition has gone from major parts of the labor market. Big unions will persist, and will share with management the exercise of powers over production and distribution. In the industrial and financial sectors of the economy small business may continue, but big business will dominate. Governmental controls will continue. Required constraints upon large units of business and labor can be exercised only by government. Government will be held responsible by public

opinion for the effective working of the economy and for the maintenance of minimum standards of security. International economic order will not be restored by automatic processes; continuing governmental action in this sphere will be called for. In saying this I must at once add that the knowledge of how to achieve desired objectives through governmental controls may fall far short of the responsibilities assumed by government, that the desire to control may exceed the power to control. But the pressures making for control, the urge to control and the willingness to control will be there. We must live with this fact, face it, utilize it, and recognize and meet its dangers.

Three things are to be said about the bearing of these developments on individual freedoms. The first—and this is a point that Professor Carr developed in illuminating fashion in his paper—is that enlargement of the sphere of state action may expand as well as limit the area of personal freedom. For many individuals state actions have removed compulsions and have widened opportunities for free choice. New options have been given in the use of time. Freedom to select occupations and rights to bargain on hours and conditions of work have been extended. Age-old barriers have been removed by the provision of educational facilities to all. This is not to say that the royal road to freedom is through expansion of state controls; I emphasize the positive side of interventionism because we are prone to overlook the rôle that state action can play in extending freedom of individual action.

The second point to be made has to do with the *degree* of state control that we may expect. We have today and shall continue to have an economic system in which free and controlled elements coexist. Long-term pressures as well as the emergency conditions of our time have worked to expand the area of regulation. In part this expansion reflects real need. A modern industrial economy needs controls that were not required in the horse-and-buggy era of production and distribution. But some of the expansion of controls reflects inertia, some reflects the pressure of special interests, some arises from political opportunism, some reflects sheer individual irresponsibility. It is not always easy to distinguish necessary controls from those that are imposed for other reasons. The task of discriminating between those acts of the state that are necessary

to the public weal and those that are excessive and needlessly coercive is always difficult. It was never more difficult and never more necessary than it is today. We must seek to find that combination of freedom and control that meets the essential needs of a particular time, and goes no further.

My third comment is on the *form* of the controls exercised by the state. Controls may be indirect, or direct, personal and numerous. Control of individual prices, enforcement of provisions relating to individual crops, rationing of individual commodities, direction of individual enterprises and even of individual workers—these fall directly and constrainingly upon individuals. Alternatively, there are monetary and fiscal controls that operate as impersonally as did the gold standard in its heyday. Since some control there must be, we should seek to improve those broad regulators of economic processes that may serve to keep the engine of production on the track without regimenting the human elements who stoke it, drive it and service it. In the development and wise use of such techniques of indirect control lies one of our best hopes for preserving individual freedom in economic affairs.

III

I have dealt briefly with a few of the internal trends that bear upon the outlook for freedom. Dominating the whole picture, however, are the external factors. These press upon us directly and indirectly. They stimulate expansions of the sphere of state action domestically; they generate fears and suspicions that curtail freedoms; they inhibit freedom of inquiry, freedom of thought, freedom of speech and discussion. Here is the factor that must be given greatest weight in any appraisal of the outlook for freedom.

Developments of two sorts are to be feared. There is, first, the danger that in opposing these continuing pressures and in preparing to cope with possible overt action we shall build up at home just that type of police state that we regard with such aversion. This could mean restriction on freedom; still worse, it could mean pervasive suspicion which destroys that basic confidence of man in man that is the great cement of social life in a free society and that communism seems to seek deliberately to destroy. It could mean, further, the devotion to war prep-

arations of that productive margin which has in our national past brought such a fruitful extension of the area of choice and enjoyment.

But the program of communist expansion represents something more. The world is in a time of change. Since 1912, when the old order was shattered in China, we have known a steadily widening area of disturbance and ferment. Mighty forces have been unleashed. The world cannot yet be sure along what channels these released energies may flow and what goals they may reach. Perhaps the greatest danger to the future of democratic liberties is that this unleashed power may be captured and harnessed by the supporters of communist doctrine. There is a driving power of vast potential in these forces of change. In the facts of present-day communist life and organization there is little power, either to capture men's minds or to stimulate great social movements. But if the forces that are generated by the dreams of a new, free life and by the hopes of thousands of millions for escape from old chains can be channeled to serve the purposes of communist dogma, the prospects for enduring freedom in the world are slight indeed. Here is the great danger to freedom and to the ways of democratic life. This threat we must meet, by all the means in our power.

One crucial point is here to be emphasized. There is nothing inevitable about the processes of history. In a striking preface to his *History of Europe*, Mr. H. A. L. Fisher has stressed the play of the contingent and the unforeseen in the development of human destinies. He finds no basis for the doctrine of historical necessity. Individual men, great single ideas, single acts at strategic times, have again and again shaped the course of history. In the face of this fact, neither passive acceptance of undesired change nor easy faith that right will conquer wrong is justified. The ultimate outcome of the present world-wide struggle for men's minds is open. We cannot be sure that the democratic idea will necessarily conquer. The free world will have to fight to survive. It has the resources to survive. It is perhaps trite, but in the light of the history of the past ten years not unwarranted, to say that it can survive if it has the will to survive.

We are troubled today, and rightly, because recent extensions

of state power have been rapid. The world is in a time of troubles. Many of the traditions in which our fathers found security and a sense of order have been broken or challenged. We are feeling our way toward workable ways of living together as technologies and institutions change. The old problem of how to reconcile individual freedom with social order persists, with new complexities. But if men want freedom, if respect for human personality and for the dignity of the individual persists, there need be no fear of the encroaching state; which is perhaps to say the obvious—that freedom is a thing of the spirit.

The Finns today, living in the shadow of the sickle, are free men as others, less closely threatened, are not. The outlook for freedom depends upon the outlook for the survival of individuals who demand freedom. When the great British General Strike of 1926 threatened to paralyze the life of that country, a few trucks were operated by special permission of the striking unions. On the sides of these trucks were signs: "Operated by Permission of the Transport Workers' Union", or "Operated by Permission of the Trades Union Congress". On a critical day of that strike a solitary, dilapidated lorry rolled down the Strand. The driver was a ragged Cockney. On the side was a scrawled banner reading: "Operated by my own bloody Permission". We may differ in our views on the issues at stake in that struggle. But regardless of such differences we can agree that here we have the essence of freedom. So long as individual men are ready to resist arbitrary action, are ready to operate on grounds that seem good to them, as individuals, freedom will be alive in the world.

DISCUSSION: BASIC PRINCIPLES AND FOREIGN EXPERIENCE

CHAIRMAN HAIG: At this time, it is our custom to open the session for participation by members of the group. We operate under a five-minute rule, which means that in expressing yourselves you are asked to speak not longer than five minutes. Questions are welcomed. And if questions are asked, it is helpful if you specify the person you would prefer to have answer your question. Finally, for the sake of the record, it is requested that, if you do participate, you begin by stating your name.

If the spirit moves anyone, we shall be happy to recognize him.

MRS. WALLACE: I have a question for Mr. Opie.

I don't seem to remember any statements of the Conservatives in this last election that they were going to uproot many of the things that the Socialists had done. Were they afraid, or were they converted?

MR. OPIE: Of course, Mrs. Wallace, I was not taken into the confidence of Mr. Churchill or the Conservative party, but I should say it was a little bit of both.

You remember, they made the distinction between the welfare state and the socialist state. I suppose that what they were trying to do was to get rid of a good deal of the dogma or doctrinaire attitude toward nationalizing. They were trying to put fairly and squarely what was in the interest of economic efficiency, or in the interest of these liberties that my co-speakers have been talking about, while contributing to the main features of the welfare state.

I think it was a bit of each. They were a little afraid of losing the election, or of not making as good a showing in the election as they otherwise would have made.

MR. STOWELL HAMILTON: In this interesting discussion as to the relationship between liberty and authority, I would like to make the point that liberty in this country is being snuffed out for several reasons, but for this one particular reason: that the machinery for controlling government spending has broken down.

Under our capitalist system, we enlist the self-interest of individuals through the grant of property rights, so that there are two motives for

human action—the desire for individual gain and the desire to promote the general welfare.

Through constitutional amendments and judicial decisions, the distinctions between the two chambers of our legislature have largely been removed, so that they are just like one house. The active division is gone. In other words, we are arriving at a majority simply by adding people together by the head, discounting all differences. When you just add people together by the head, and don't account for their differences, you are just accounting for the least intelligent; and by the weight of numbers the least intelligent far outweigh the more intelligent. So, the least intelligent are in a position today, by way of taxation, to confiscate property and turn the United States into a socialistic state. If that doesn't call for America getting on her feet, I don't know what does.

DR. AARON BODANSKY: My question involves points raised by all four speakers. I will try to make it very brief.

Professor Carr gave a cheering statement of the happy faculty of the British to reconcile liberty with authority. It occurred to me that perhaps some other people, like the Scandinavians, including Iceland, share to some measure that faculty.

Professor Neumann showed that there is a drift toward statism, or a long-standing tradition of statism, which we must take into account in Europe.

Dr. Mills indicated that we must bear in mind the struggle for men's minds.

I am just wondering—and this is my question—whether in the struggle for men's minds we might not think of the potentialities in the British approach, which tries to reconcile the authority of the state and the freedom of the individual in terms neither as extreme as the rôle which the state plays in Russia nor as extreme as free enterprise, at least in the talk of Americans, in America.

CHAIRMAN HAIG: That is a very interesting comment. Do any of you gentlemen feel inclined to respond?

MR. OPIE: I feel, Mr. Chairman, that it is a challenge to my ex-countrymen, the British. I would like to point out that they are known for another faculty, the happy faculty of muddling through—and I feel there is a good deal of confusion in reasoning in Britain today.

I think Mr. Attlee is not aware of the extent to which he and his party are doctrinaire. And I think Mrs. Wallace is right, that there has been a gradual awakening among the Conservatives, that there are

some further changes to be made in England, which has been gradually changing for a long time.

I was in Britain only a few months ago, and in reflecting on the situation after the devaluation of their money, I was reminded of an episode in 1886 in British history, recounted in one of Winston Churchill's more neglected books. The book is a biography of his father. The election in that year was really won by Winston Churchill's father, Lord Randolph Henry Spencer Churchill. It was won because four men had the audacity to form what they called the Fourth Party, which stood for Tory democracy. It is very strong in my mind that what they want in England today is Tory socialism.

It is a challenge to the Socialists, because you could, if you are willing to take the risk of differing with the stereotyped people to the extent of splitting the party, keep the body politic in that vigorous state which is essential to the preservation of democracy.

MR. PHILIP M. MCKENNA: I have listened to Professor Carr's statement that in some ways the range of freedom has increased. However, if he will look at the statistics of the number of patented inventions as a measure of the hope and economic risk-taking of individuals, he will find that you have to go back to 1886 to find as few patented inventions per 100,000 people as we have today.

Therefore, I think that the balance has been very unfavorable to progress in risk-taking. My liberty, for example, has been restricted, and many people who take great risks in invention and risk-taking have had their liberties restricted. I had 112 per cent of my income taken from me in 1942. That does not enlarge the scope of my liberty; and thousands of my colleagues in invention and risk-taking have been so hampered. We may well lose the third world war on account of the limiting of our liberty.

MR. HAMILTON: I am under the impression that a bureaucracy is about the worst thing that we could inherit. I think the evidence of bureaucracy in Washington is sufficient to convince the most impartial judges that we cannot depend upon government control for anything efficient.

We are under such constraint, such waste of funds, that we are endangering liberty and even the life of the Republic, so far as a representative government is concerned.

We must in this country have a sufficiently active campaign of education to convince the people of the real danger of the pressure groups. They come from all quarters—industry, management, labor, and particularly from the last. We almost have a labor government here. And it seems to me that American freedom depends upon the

subordination of any group, and every group, to the welfare of the community as a whole; and we are not attaining that at the present time.

MR. ROBERT HOOKER: Several of the speakers have stated that the crucial problem of our time is to reconcile freedom and order. I don't question that statement, but I wonder if in trying to find the answer to it we should not address ourselves more than we do to the factors in society which seem to make freedom a relatively declining value to a great many people, which seem to make them feel a greater need for other things than for freedom. What can we do to bring back the value of freedom to the position that it seems to us it should have in our world?

CHAIRMAN HAIG: Do any of the speakers feel moved to respond to that remark?

I think that a clash of values is very, very evident today; and it seems from my own observation that one does need a shock in order to reappraise and rearrange his value systems.

I think we have had a series of such shocks, and are on the way to a greater appreciation of the enduring values than we have previously had. Of course, some of us, who have been awakened along these lines, may be apprehensive and worried and eager to do anything that would tend to bring others to a realization of the worth-whileness of the objectives that we hold dear. Perhaps that is one of the reasons for our meeting here today.

MR. GEORGE PODD: I have a question for Mr. Opie. What is the status of the iron and steel industry in Great Britain? Do you feel it is going to be nationalized this fall? Or, if not, what are the reasons for or against?

MR. OPIE: Mr. Chairman, I think that I should not be asked to stick my neck out as a political prophet, but one thing is quite certain: if another election is held, and the Conservative party comes into power, the iron and steel industry will not be nationalized.

The further statement could be made, I think, that it is highly improbable that the present Labor government, with its struggling majority of six over-all, will have the power to nationalize it. You know that the date has been postponed because of the criticism the bill met in the House of Lords. The first of this coming year is the earliest date it can be nationalized now.

If the Labor party comes back with a crashing majority, I think the answer is that it would be nationalized.

Those are the three alternatives I can see in the situation.

MR. W. R. THOM: I happen to be an ex-member of the United States House of Representatives, and naturally I am interested in the remarks of the advocates of economy.

The thing that is amusing to members of Congress who must deal with these problems is that the great Hoover Commission, which has been advocating retrenchment, when it faces a battle such as the proposal to cut down expenses in the Post Office Department, announces that that is not the way to approach the problem of economy. About every time the exponents of economy are put to the test, they take to flight, just like the Hoover Commission has.

MR. CAMILLE J. PELLETIER: I would like to question a statement made by Professor Carr. In his address, he said that liberty was not emotional. I believe that liberty today probably is not emotional because we have accepted a bureaucracy which is doing our thinking for us. We have been accepting the concept of coddlement from the cradle to the grave, and we have lost the spiritual feeling of liberty and freedom.

CHAIRMAN HAIG: Mr. Carr, I am not certain whether that is to be interpreted as a question or an observation, but you may make a reply, if you wish.

MR. CARR: I would like to add a word.

I don't believe I said liberty wasn't emotional. What I was trying to say is that I think liberty is a practical concept and that we need to try to understand the reality of liberty through the use of reason.

I would not deny that there is an emotional, even a mystical, quality to some of these concepts that we prize highly, but I do feel that at times our thinking and actions with respect to large issues such as liberty are, unfortunately, affected by emotions, prejudices, rather than by an attempt at straight thinking.

It seems to me that liberty, in the final analysis, granting that it has a noble quality and that it is an inspiring part of our civilization, is something that is real and practical and that we should try to achieve it through the use of our minds, granting that there is a place in the heart for liberty, too.

CHAIRMAN HAIG: I am prepared to recognize another person, if anyone is moved to speak.

MR. JOHN SAUL: If I did not misunderstand Professor Carr, he said that it might be desirable, in order to preserve and increase the liberty of individuals, to have the government control private groups such as the church and the family. I wonder if he would comment and perhaps give us some examples of what he had in mind.

MR. CARR: That is a very good question. I, of course, did not mean to suggest that we subject the family and the church to government controls. I did suggest that we do have private institutional arrangements, or organizations in society, that are exceedingly powerful, and that there are times when they need to be regulated in the public interest because they can, through their power, do harm to the general welfare.

Government is, after all, that social institution which, more than any other single institution (particularly in a democratic state), reflects the general welfare, reflects the wishes and ideals of all the people.

At the present time the labor union and the business corporation are examples of private governmental organizations that are in need of social control.

I do not think that the family or the church are at the present moment serious offenders against the public welfare to the extent that government controls are needed. On the other hand, if you think back, you do see that there have been in times past ways in which even the family and the church have been subjected to controls.

We believe very much, for example, in public education. We think that that is essential to the realization of a democratic society. And to that extent, we take education away from the family and place it in the state. I don't know whether it is a form of government regulation of the family or not, but it is a point where government encroaches on a sphere that might be left to the family.

And certainly there are instances in history of government controls of the church, of religious groups. I mentioned polygamy in my talk. Perhaps it is an unfair example in the sense it is so extreme, but where you do find religious groups advocating social practices that run counter to the accepted beliefs of the overwhelming majority of the people, government is bound to step in, as a result of public pressure, and subject the church to control.

CHAIRMAN HAIG: Perhaps we have given a sufficient demonstration of liberty in this discussion, but if there are still others who desire to speak, I'd be glad to continue the session a little longer, to make certain that the demonstration is complete and convincing.

DR. BODANSKY: I'd like to address my question again to Mr. Neumann; my original question was not answered.

In the struggle for men's minds, is it possible that the appeal on one hand to free enterprise and on the other hand to such authority as is exercised in Russia is not the only choice? Is there not another choice, the choice of a mixed economy, as in Britain, where the economy is neither completely socialist nor completely free?

CHAIRMAN HAIG: As I understand it, you want Professor Neumann to answer that.

MR. NEUMANN: At the last minute, I do not want to hold you up with a long dissertation on that point. I might say, however, that such a possibility certainly has a great appeal in Europe. There have been several solutions of that kind tried. We don't have the time to talk about them, but as you very well know, of course, in France there have been special attempts made along the coöperative line, and so on.

I think the most important question in that connection is not the organizational problem, but what I might call the preconditions for such a kind of solution. For that a very general concept of compromise is necessary.

To a large extent the possibility of combining freedom and order rests not upon governmental organizations or utopias, but upon our ability to use hundreds of ways of reconciling in our daily life the relationship between free initiative and the social community.

CHAIRMAN HAIG: I am sure that I will be expressing the views of the group when I thank the four speakers for the very interesting and illuminating papers which they have given us this morning.

PART II

CURRENT ISSUES IN THE UNITED STATES

INTRODUCTION

JAMES W. ANGELL, *Presiding*
Professor of Economics, Columbia University

I HAVE the honor to call to order the afternoon session of the Spring Meeting of the Academy of Political Science.

As many of you know from attending this morning's session, the general topic of the meetings today is the major problem of "Freedom and the Expanding State". The session this morning was focused around both basic principles and foreign experience. The session this afternoon, as you see from the program, is entirely devoted to "Current Issues in the United States".

The topic falls into three different sections: the first on "Government in the Field of Labor Relations", the second on "Government and Agriculture", and the third on "Government and Individual Security".

I would like to announce some trivial ground rules. In order to avoid losing the thread of the several discussions, I will ask each principal speaker to present his paper; then we will have the assigned discussion on that paper; and finally the discussion from the floor on that paper. After a reasonable length of time, we will pass to the second section of the program, and then to the third.

Our first paper will be given by Mr. Lloyd K. Garrison, distinguished lawyer, editor and public servant. He is the former dean of the University of Wisconsin Law School, has been chairman of the National Labor Relations Board, and is now senior partner of Paul, Weiss, Wharton and Garrison in New York. The title of his paper is "Government in the Field of Labor Relations". Mr. Garrison!

GOVERNMENT IN THE FIELD OF LABOR RELATIONS

LLOYD K. GARRISON

Of Paul, Weiss, Wharton and Garrison
Former Chairman, National Labor Relations Board

WITHIN less than a generation a revolution in labor relations has occurred, of such formidable dimensions and such rapidity of development that we have difficulty in understanding its true character and in charting its future course. I shall try first to put into some perspective what has been taking place and to state the nature of the basic difficulties confronting us, as I see them. I shall then summarize what has been done by government and what is being proposed to meet these difficulties; and, lastly, I shall offer some suggestions of my own with regard to the future rôle of government in this field.

First then, as to the character of the revolution in labor relations. Under the policy of governmental protection of the right to strike and to organize, which began with the Norris-La Guardia Act under President Hoover and was soon followed by the National Labor Relations Act under President Roosevelt, there has been a phenomenal growth in labor unions, from a membership of some 3,000,000 to well over 15,000,000. No less remarkable than this unprecedented growth has been the progress made within the same space of time in removing major sources of conflict which, until a very short time ago, had troubled the industrial world. Six major gains of this sort have been made, and they are worth briefly noting, because they point up the problems that remain.

(1) There has been a general acceptance throughout the length and breadth of industry of the principle of unionism and of collective bargaining. We are apt to take this now as a matter of course, but I can remember vividly, as an unsuccessful mediator, the Little Steel Strike in the summer of 1937, in which the companies refused to recognize the union or have any dealings with it or even to sit in the same room with its leaders. A similar determined hostility to the whole idea of

union organization and collective bargaining animated a good many important sectors of industry, and the conflicts which arose over the rights of unions to exist and to be recognized were among the most violent in our history. Now, through a combination of legislative pressure and of changed attitudes, these primitive struggles have for all practical purposes disappeared from the scene.

(2) The establishment of thoroughgoing contractual relations between labor and industry, while it has not lessened the number of strikes, has had an ameliorating effect upon their conduct and upon the emotional scars left by them. The time was when it was the fashion to try to operate factories with strikebreakers and to resort to injunctions and other forcible methods of ending stoppages, while at the same time the unions, fighting for their lives, were given to mass picketing and other forms of violence. Now, with the realization that unions are here to stay, and that unions and employers must live together after as well as before strikes, it has come to be seen that these battles to the death are harmful to all concerned. Accordingly, in the typical strike of today the plant shuts down, the picket line is only of token size, and the question becomes one of who can afford to wait the longest. As a result collective bargaining relationships can be resumed when the strike has been settled without the extremely embittered feelings between management and men which followed the older forms of industrial warfare.

(3) Organizational conflicts, typically between CIO and AFL unions, but often between affiliated unions and independent unions and sometimes between affiliated unions within one of the major national groups, have almost disappeared through the unions' acceptance of the device of secret-ballot elections conducted by the National Labor Relations Board. There was a time when employers were bedeviled with strikes between rival unions, each seeking and claiming to represent the workers. This type of jurisdictional struggle has been virtually ended by the election process,¹ and much progress has been made in avoiding the less violent but still troublesome jurisdictional disputes over job assignments.

¹ There may be a recrudescence of it in some quarters, resulting from the expulsion of certain unions from the CIO and the chartering of rival unions by the CIO; but the signs are that the resulting difficulties will not be long-lived.

(4) Strikes over union security provisions which, up to the very eve of Pearl Harbor, were shaking many segments of industry to their foundation, have ceased to disturb the country. Since World War II no important strikes have involved such issues. For one thing, the wartime maintenance-of-membership compromise evolved by the tripartite National War Labor Board has been widely accepted. There has also been a widespread acceptance of various forms of checkoff provisions, voluntary and involuntary, revocable and irrevocable. And the union shop, unexpectedly aided by the election provisions of the Taft-Hartley Act, has made rapid progress and is no longer the fighting issue which it so often was, even a decade ago.

(5) Controversies over hours of labor have practically disappeared in consequence of the acceptance of the normal 40-hour week provided for under the Fair Labor Standards Act. There are, of course, disputes about hours in those cases where hours are really part of the process of calculating wages, as in coal and parts of the transportation industry; but the old-fashioned and bitter struggles over the length of the work week and the workday have passed into history.

(6) Substantial advances have been made in improving working conditions and particularly in promoting harmonious relations between workers and supervisors within plants. Well-thought-out grievance procedures, normally terminating in arbitration where the parties cannot reach agreement, have become very general, and have done much to remove sources of tension and unrest which often went undetected when foremen and superintendents constituted a law unto themselves. At the same time studies in the psychology of workers and in the development of sound personnel practices have produced good results, and a whole new science of internal plant management has sprung up and is still in its flowering stage.

These are the major gains that have been made in the last two decades. Even after allowance has been made for the fact that these gains have been in part induced by legislation, they signalize the growing maturity of collective relationships.

As a result of these gains the only important source of conflict remaining is in the field of wages (including all forms of compensation, such as vacations, shift bonuses, insurance benefits, sick leave, severance pay, pensions, and the like—a

list the proliferation of which is in itself a sign of the importance now attached to wage questions). I am aware, of course, of spectacular exceptions, such as the threatened railroad strike for an extra fireman on Diesel locomotives, but in spite of such exceptions I think it can safely be said that we would today be enjoying nearly universal industrial peace if we could find a way to settle all wage issues without work stoppages.

The fact that these issues cannot always be settled without work stoppages has become serious because, as a result of the growth of both industrial and union organizations, some shut-downs, if at all protracted, may gravely threaten the national interest.

These, then, are the most serious national problems which we face in the field of labor relations, namely, wage issues and the danger of big-scale strikes (whether over wages or not) that would shut down industries vital to the economy.

This brings me to the second part of my discussion, in which I shall consider the attempts that have been made by government and that are currently being proposed to deal with the problems just outlined. Little or nothing has been done to advance the art of wage-setting, but the government has been experimenting along four main lines with procedures designed to forestall or speedily settle large-scale strikes, whatever the issues.

First, following the pattern set in World War II, the government has employed the device of seizure of the employer's plant, but only in a few exceptional instances and then under the color of wartime legislation. There has been some discussion of whether or not the President has inherent power to seize property in peacetime emergencies. In my view he has not, and whatever needs to be done in this direction should be authorized by specific legislation. I am, however, skeptical of the value of this device. During the war it was chiefly used not to stop strikes but to induce employers to comply with War Labor Board directives. In strikes where feelings may run high, there can be no assurance that workers will go back to work merely because a change in the possession of a plant has occurred. It might well be necessary to provide for heavy penalties against the union in case of a refusal of the men to work for the government. But sanctions are only a beginning of the difficulties.

If the men must work for the government, how is the dispute that led to the strike to be settled, and by whom? What compensation should be paid to the owner of the property during federal occupancy? If the compensation is, as in substance it was during the wartime seizures, the full earnings of the property during the period of seizure, the employer has lost nothing of substance by the seizure, assuming that the management is permitted to function under federal authority (which, as a practical matter, must be permitted). The employer then may be encouraged to deny reasonable union demands and await seizure, which will cost him nothing. On the other hand, if the seizure is more than symbolic, and the government takes the earnings and pays compensation in a lesser amount, the union may be encouraged to make excessive demands, knowing that the employer will make every effort to avoid seizure.

However a statute is drawn, it is likely to invite excessive use either by one side or by the other or, indeed, by the government itself, as an easy way out. The consequences cannot all be foreseen but it is almost certain that they would be disturbing to the body politic and harmful to free enterprise and the sound development of collective bargaining. If the seizure device is to be used at all, it should, in my opinion, be sought only in true emergencies, and then by a special resort to Congress and the making of a special grant of authority limited to the particular situation. The psychological effect of a seizure under such circumstances would be much greater than seizure under a standing statute, and use of the device would be much rarer.

The second procedure with which we have experimented has been the 80-day cooling-off period enforced by injunction against the union under the Taft-Hartley Act. We have not had very much experience with this provision of the law, and it is perhaps too soon to form a final judgment. It seems clear, however, that if the workers are determined not to go back to work, and there is no evidence of their being instructed by the union to stay out, the injunction against the union means nothing, as was recently demonstrated in the last coal strike. Even if the injunction is effective, the so-called cooling-off period may degenerate into a heating-up one as the time for expiration approaches, and then there remains the question: if the dispute is unsettled by that time, how shall it be settled?

The third experiment, contained in the Taft-Hartley Act, has sought to provide an answer to this question by putting to the workers in a secret-ballot vote the last offer made by their employer and asking them whether or not they wish to accept it. If they vote to accept it, all is well; and the theory of this experiment apparently has been the suspicion, which dies hard in Congress, that workers are the innocent victims of union dictators and that, if only their own desires could be truly ascertained, they would repudiate the exorbitant demands of their leaders. In the few instances in which this type of vote has been conducted under the Taft-Hartley Act, however, the men have voted to reject the employer's last offer and to stick by the union, and we can be reasonably certain that there will be similar results in the future. For, during World War II, in upwards of a thousand secret-ballot elections conducted under the Smith-Connally Act, in which the men were asked to say whether or not they wished to strike in support of particular demands, in all but an insignificant fraction of the cases they voted overwhelmingly in the affirmative. In the light of this experience the secret-ballot provision in the Taft-Hartley Act would seem to be completely unworkable. In my opinion it is also positively harmful since it cannot but impair collective bargaining; for why should any employer make a genuine proposal to the union of all that he is willing to concede if he knows in advance that under the law it must be put to a secret-ballot vote of the workers and that in such a vote it will in all likelihood be rejected?

The fourth experiment, and the one which has been the most useful, has been the appointment of presidential fact-finding boards. These boards occupy a twilight zone between mediation and compulsory arbitration. When they are appointed under the Taft-Hartley Act, they cannot make recommendations although their findings are apt to point in one direction or another. When appointed outside the Taft-Hartley Act, as in the recent steel strike, they can make recommendations of a very specific nature. In either case, their reports place the parties under considerably more pressure to settle than ordinary conciliators can exert. The chief objection to the use of these boards is that their appointment tends to impair collective bargaining and puts the government at least halfway into the

business of fixing the terms of employment. This is not a fatal objection but it is a serious one, and everyone seems to agree that resort to such boards should be as infrequent as possible.

From the point of view of an uneasy public the fact-finding boards are not conclusive enough because their reports are not binding on anyone. Both industry and labor, however, are vigorously opposed to making such reports binding, and there is no disposition in Congress to take that step. Experiments with compulsory arbitration elsewhere, as in Australia, are not encouraging, to say the least. Some people talk of establishing "labor courts", but this is only a fancy name for compulsory arbitration. Certainly the government should not, except as a last resort, be called upon to fix wages and other terms of employment, whether through boards or courts; for the fixing of wages will lead sooner or later to price controls and a regimented economy, in addition to which, as the experience in Australia, and in Great Britain during World War I, has shown, the fixing of employment terms by edict will not prevent strikes if the men feel strongly enough about the rightness of their claims.

What then should be done about large-scale strikes in basic industries that threaten the public interest? The experiments up to now, none of which has provided an answer, have all been procedural in nature; they have dealt with the end product of the breakdown of collective bargaining. Since they have not succeeded in stopping all strikes of national importance, there has been a growing movement to get away from the procedural approach and to strike at the supposed roots by cutting down the size and vigor of unions and the coverage of their contract negotiations, so that if strikes do occur they will be sufficiently small and confined to prevent any danger to the economy as a whole. Proposals of this sort appear to be gaining ground, and they appeal to our traditional distrust of bigness. They must therefore be taken seriously.

They approach their objective in one of two ways: either by bringing unions under the Sherman Act or by prohibiting industry-wide bargaining.

With regard to the Sherman Act, the argument sounds plausible that organizations of workers, like organizations of capital, should be subject to the prohibitions against monopoly and against combinations in restraint of trade. What is fair for

one should be fair for the other. So runs the argument. Congress has long been of the opposite view, but the justification for its historical exclusion of unions from the reach of the Act deserves to be restated. The ideal of the Sherman Act is price competition. Mere bigness is not hit as such; it becomes an unlawful monopoly only when it has power to exclude others from competitive access to the market. Unions, unlike employers, do not compete with each other by selling commodities at reduced prices. To the extent that unions compete with each other it is in prestige—the prestige which comes from obtaining better wages or hours or working conditions or grievance procedures or other terms of employment for their members. This sort of competition is not that which the Sherman Act seeks to enforce. Hence the famous Congressional declaration that “labor is not a commodity”. Hence, too, our wage and hour laws, federal and state, whose progressively rising wage minima are designed to remove a progressively larger segment of the wage structure from competition or even negotiation.

Turning from monopoly to restraint of trade, however, one might argue that because employers may not combine to raise prices, so unions should not combine to raise wages; both combinations should be regarded as restraints of trade. If the purpose of the proposal to subject unions to the restraint-of-trade provisions of the Sherman Act is to prevent two or more unions from combining to seek uniform wage increases, the proposal is really aimed at industry-wide bargaining, which I shall discuss in a moment, and it should be framed specifically to that end. If the purpose goes beyond that and is designed generally to bring unions under the restraint-of-trade prohibitions, it would turn back the clock of history to a day when the very existence of unions was in doubt and judges had the last word as to the objects for which they could organize and for which they could have the right to strike. A return to those days is unthinkable, both morally and practically.

Moreover, the legal result of subjecting unions to the general provisions of the Sherman Act would be chaotic. Since the Sherman Act was passed, a great body of case law has grown up dealing with the question of what business practices constitute an unreasonable restraint of trade. This case law would not be applicable to union activities, and it would take years before

sufficient cases had been litigated and appealed to give substance to the statutory prohibitions. During that time, the field of labor relations would be in an uproar. Judges would be asked to give temporary injunctions restraining unions from taking any manner of actions. Having no general standards to guide them in the field, they might grant injunctions, which would irreparably damage the unions, even though, at the end of a long process of litigation and appeal, it were shown that the enjoined activity was not an unreasonable restraint of trade. The unions, which fought bitterly for years to end government by injunction, might be tempted to revert to illegal and violent actions to gain their ends. The results would benefit neither management nor the unions.

Specific proposals to prohibit industry-wide bargaining by confining collective bargaining to a single employer or to a group of employers within a given local area or to a small percentage of the total number of employers in an industry are entitled to more serious consideration. They tackle the problem of bigness directly and without attempting to bring in the Sherman Act. And they are being put forward at a time when serious attention is being given in Congressional committees to the implications and effects of corporate bigness. But the proposals here discussed do not attempt to deal comprehensively with both aspects of the problems created by bigness—by the bigness of unions and the bigness of corporations, interacting. In fact, these problems cannot practically be separated, as a moment's reflection will show.

In the main, the structure of corporate organization in this country has determined the structure of union organization. For example, small companies widely scattered have usually had their counterparts in small local unions bargaining on a local basis. A corporation such as General Motors, with a number of great plants tied together by master policies, will have unions of corresponding size in each plant, likewise tied together by master policies.

As the structure of an industry largely determines the structure of unions within it, so the conditions of trade in an industry largely determine the pattern of collective bargaining within it. For example, industry-wide collective bargaining is a practical necessity in an industry like the railroads, where

services are interchangeable, facilities and conditions of work are virtually uniform throughout the country, and rate movements are for the most part nationally determined. Similarly, an industry like coal, with a practically identical product in anthracite and a practically identical product in bituminous wherever produced, and with industry-wide similarities in working conditions and in living conditions in the isolated communities in which the miners spend their lives, lends itself naturally to industry-wide organization by the union, and to organization by the employers, who have long sought, with and without legislative aids, to prevent cutthroat price competition in identical products. And these forms of organization have determined the scope of collective bargaining.

In an industry where a dominant employer has traditionally set prices and wage scales which others have followed, the pattern of collective bargaining naturally and normally consists in the negotiation of an agreement with that company. This agreement then becomes the standard for the industry and is urged by the union upon each employer in turn. Alternatively, uniform demands may be made upon all the companies, with the actual negotiations being limited to those with the dominant company, the outcome of these negotiations determining or greatly influencing all the rest.

By contrast, where a union has to deal with a large number of small employers in a relatively small area, having very similar services or products, it is not practical to engage in shop-by-shop bargaining, and so the union seeks to work out a master contract with an employers' association, and to induce all employers to sign it. Numerous examples may be found in urban communities in such trades as laundries, restaurants, butcher shops, and the like; and, of course, in the garment trades in the New York area. While in such situations it is the union that imposes the pattern of bargaining, negotiating a uniform contract with an employers' association, the employers are by no means loath to enter into contracts which introduce a certain measure of stability into what might otherwise degenerate into a welter of both wage-cutting and price-cutting. The elimination of sweat-shop conditions and the relative stabilization achieved in the garment trades are well known, and few employers would think of returning to their former situation.

There remain instances in which the pattern of bargaining has been determined not so much by the conditions within the industry as by deliberate policy decisions on the part of employers or unions or both, an example being the successful experiment in industry-wide bargaining conducted among the paper manufacturers on the West Coast, where the system was set up to promote equality of wages and working conditions and to avoid inroads from competing unions. In San Francisco a community-wide employers' association was formed as a protective measure to gain strength in bargaining with vigorous local unions; and there have been instances elsewhere, including the shipping industry, of multiple employer units formed for collective bargaining purposes as a matter of self-protection.

The very thought of disrupting by some blanket statutory prohibition such a variegated network of collective bargaining patterns, representing a long and natural evolution, must give one pause. But this is not all. As a practical matter one could not accomplish the desired prohibition without confining each local union to a single employer and forbidding consultation about bargaining terms between the locals, and between each of them and the national union officials. For otherwise, to the extent that the locals had previously bargained together for uniform terms, they would continue to present uniform terms to each employer, and the situation would be for all practical purposes the same as it had been before. However, to prohibit communications of this sort between local unions and between each local union and the national officers would probably cause either social upheavals or violations of law reminiscent of the days of the Volstead Act. For it must be remembered that labor unions are not mere business concerns; they are social institutions with traditions, ideals, loyalties and fraternal bonds of a complex and deep-rooted character; and these bonds, forged in a hostile environment and in the midst of a constant struggle for survival, could not be forcibly severed without evil consequences to our democratic way of life.

Another objection to legislation of this sort is that it would put a straitjacket on the possible evolution of industry-wide or area-wide bargaining in situations where both management and labor might wish to experiment with it. There can be no doubt that real gains in labor relations have been achieved

through bargaining of this type in some industries and in some parts of the country; and in Great Britain it has become the dominant pattern and is regarded by the leaders of industry and labor over there as the chief cause of their relatively high degree of industrial peace. It may not do for us, but at least we ought not to foreclose experimentation.

What then should be done in this country about big-scale strikes that may paralyze the national economy? This brings me to the third and last part of the discussion. It is easier to say what should not be done than what should be done, but I shall venture nevertheless a few suggestions.

The beginning of wisdom, it seems to me, in labor relations, as elsewhere in life, is to keep checking one's abstractions by constant reference to specifics. If we look closely at the concept of the national emergency strike we shall, I think, perceive that we are concerned basically with three industries: railroads, coal and steel. Strikes in the automobile industry may throw a great many people out of work and halt a great deal of needed production, but they cannot paralyze the economy. In the shipping industry the existing union setup is such that simultaneous stoppages on both coasts are most unlikely to occur, and, in any event, a strike would not affect the foreign shipping which serves a large part of our commerce. In the oil industry labor costs are such a small fraction of the cost of production that the adjustment of wages is made relatively simple, and there appears to be no serious likelihood of a national stoppage in the foreseeable future. In electric power the collective bargaining contracts are all local, and no broader concert of action is possible under the present setup.

With regard to railroads, coal and steel, a protracted shut-down in any one would unquestionably present us with a national emergency. That being so, it seems to me that the first thing we should do is to consider each of those industries separately, take stock of the situation and see what can be done to minimize the danger of future trouble. I have neither the wisdom nor the time to try to sketch here what might be done, but I would like to stress the very separate and specific nature of the problems in each of these three industries. In the railroad industry, labor relations are governed by the Railway Labor Act of 1934, which was presented to Congress with the

joint backing of the brotherhoods and the railroads and under which peace has been maintained, on the whole most successfully, with very few rifts up to the middle '40s. In the last few years there has been a deterioration in the structure which needs close attention, but the situation is not yet, I believe, beyond the capacity of the railroads and the brotherhoods to cure if they will set themselves to the task of reviewing their legislation and their collective bargaining procedures, with some leadership and help from the government in this direction.

In the coal industry the President has recommended the appointment of a commission to study the economics of the whole industry. The industry has many troubles and difficulties besides those of collective bargaining, but the economics and the labor relations are so closely intertwined that progress in neither is likely to be made without considering both aspects at the same time and taking account of their interactions.

In the steel industry, collective bargaining is of recent origin and has only barely emerged from the stormy past which gave birth to it. Considering that past, the progress that has been made in straightening out relationships and in improving wage structures, working conditions and grievance procedures within the plants is very considerable. However, the collective bargaining patterns in this industry (which is really not one industry but a congeries of industries surrounding the basic steel processes) are still in an uncertain and difficult stage. And wage issues in steel are of paramount importance, not merely to the steel companies and unions, but to industry generally, because of the repercussions of wage adjustments in steel upon all manufacturing. Indeed, what happens in steel is of such concern to the country that a major task of statesmanship should be to bring about in steel the most stable, responsible, expertly managed and forward-looking labor relations that can possibly be achieved.

This brings me to the question of what the government can and should do to advance the cause of industrial peace. I believe that the time is ripe for the government to assume a broad initiative in bringing together leaders of industry and labor in a continuing, organized relationship, encouraging them to work out by agreement the policies and procedures which are necessary to remove major points of danger and to chart future courses of collaborative undertakings.

Let me jump over a great many preliminaries and outline to you a possible broad-scale plan for achieving such an objective. I wish to stress the fact that I do not here advocate such a plan in all, or in any, of its details, and that I am presenting it to you only as an indication of the sort of thing that might be done if the government were to concentrate upon the necessity of inducing and facilitating regular and persistent joint efforts by the leaders of industry and labor to solve their difficulties in the public interest. No plans and no policies of lasting value can be evolved except by discussion around the table by the leaders of these groups, and what I am really urging is that this process be set in motion as soon as possible, and kept in motion thereafter, under the highest governmental, industrial and labor auspices.

With these prefatory comments let me outline to you a possible plan for a National Industry-Labor Board, whose members would be appointed by the President from among the top representatives of industry and labor, after consultation with their respective organizations. The members might in turn select a representative of the public as Chairman, and the Secretaries of Labor and of Commerce might be *ex officio* members. The board might be called upon to meet quarterly in Washington for as many days as necessary, and to be entitled to receive staff assistance from the Secretaries of Labor and Commerce and to appoint such additional personnel of its own as it might deem necessary to carry out its duties.

These duties might consist of the following:

1. To set the stage for special conferences of labor and management in particular industries of critical importance to the country, such as railroads, coal and steel, and, as developments might warrant, in other important sectors of the economy, looking toward the solution of particular difficulties and the improvement of collective bargaining procedures.
2. To consider, through the medium of special conferences of the sort just mentioned and through more general studies, the development of yardsticks, standards and methods for the settlement of wage issues.

The art of wage-setting, in spite of all the attention paid to it in recent years and the advances that have been made here and there, is still in its infancy. Significant and varied ex-

periments in profit-sharing are being conducted by numerous companies, and there is room for appraising their good and bad features and for considering the failures of profit-sharing in the '20s and the successes that have survived. The relationship between wages and productivity, and the whole question of how to measure productivity, and the extent to which productivity measurements, when developed, may be utilized as a factor in wage-setting, call for intensive study, company by company and industry by industry. The percentage relationship of wages to gross sales, on the basis of which at least one company has evolved a successful method of setting wages, might well be explored. Various forms of bonus and incentive payments, and the virtues and defects of incentive systems generally, should be studied in relation to work loads, workers' attitudes, and adjustment through collective bargaining. Guaranteed annual-wage plans should certainly be included. Ways and means of assigning weight to such factors as the cost of living, prevailing wages in the industry and in the labor market area, special conditions of employment, and other points of reference commonly discussed at the bargaining table might well be made more precise. The length of wage contracts and the occasions for reopening might also be considered. The various forms of social security benefits, pensions and the like, the extent to which they can soundly be dealt with through collective bargaining, and their relationship to wage rates are subjects that are obviously ripe for study. These are but some of the topics upon which we need more light and more agreement.

In wage negotiations of pace-setting character, much of the difficulty results from the absence of well-defined and accepted yardsticks and standards. The more we can reduce the process of wage-setting to the application of measurable factors, the easier it will be to make adjustments without conflict and the easier it will be, where a bargain cannot be arrived at, to agree upon submission of the dispute to voluntary arbitration. One reason why arbitration is not more widely utilized today in wage controversies is the absence of accepted yardsticks and guides within which the discretion of the arbitrator may be confined. The narrower the area of disagreement to be submitted to the arbitrator, the more ready will the parties be to take their chances on an award.

Therefore, everything is to be gained and nothing is to be lost by an attempt on the part of industry and labor to define more closely the principles of wage-setting. The undertaking would be a formidable one but it would surely be worth making in the interests of the country.

Other functions of the National Industry-Labor Board might be:

3. To study the causes of industrial peace as well as industrial unrest, and to bring to the attention of industry, labor and the public any lessons learned through such study, including in the study an analysis of local or industry-wide experiments and procedures for the avoidance and settlement of disputes, with a view to encouraging the wider adoption of methods which have proved successful in practice.

4. To study the experience with labor-management production committees during the war, and other experiments in co-operation for the improvement of efficiency and productivity, and to encourage the taking of appropriate further steps in these directions.

5. To recommend any legislation which in the board's judgment may be needed for the proper functioning or strengthening of the board or for the support of voluntarily developed procedures for the settlement of disputes; to report its activities annually to Congress; and to submit its views to Congress or the President upon particular questions when asked so to do.

6. To encourage adherence by unions and employers to the principles unanimously adopted by the President's National Labor-Management Conference of November 1945, regarding the making of initial collective agreements, and the administration and maintenance of collective agreements.

7. To formulate further statements of the principles and policies which should govern management and labor in their collective relations, and to promulgate, distribute and encourage adherence to the principles and policies so formulated, considering particularly, as areas in which to seek the maximum degree of joint agreement, wage policies, measures for stabilizing employment, and the delineation of the functions of management and labor.

I present the foregoing plan as merely one of many possible approaches toward the fundamental objective of bringing about

a widening area of agreement between industry and labor. We need to decide whether that is to be our objective, or whether in the alternative we are to rely upon increased governmental control of the terms and conditions of employment. These are the two basic choices confronting us. The first course lacks the advantage of certainty; we do not know whether the leaders of industry and labor, even with broad-scale governmental assistance and encouragement of the sort I have here suggested, will be capable of reaching agreements that will keep industrial conflicts within tolerable bounds. The second course may hold out more hope of suppressing open strife, but we must reckon with its costs. It would, among other things, tend to undermine our relatively free-market economy and our practice of resolving conflicts of interest by agreement; and once the government begins to take collective bargaining relationships into its own hands, the harder it will be for it to stop short. That is why it seems to me wiser to concentrate on the first course.

The first course is the harder of the two, for it is always easier to resort to force than to persevere in bringing about an agreement; and that is why I have urged that more than ordinary efforts be made in that direction, through the establishment, if it can be brought about, of a standing National Industry-Labor Board under governmental auspices but not under governmental control.

While we are considering what course to take, let us not exaggerate the difficulties of our present situation. As I said at the outset, remarkable progress in the solution of industrial conflicts has been made within the last fifteen years or so, notwithstanding the phenomenal growth of labor unions, the novelty of collective bargaining in many industries, and the stresses and strains accompanying these developments. There is no reason to suppose that this progress has come to a halt.

Furthermore, if national emergencies should arise, we must not underestimate the power of the President and Congress to deal with them through special measures shaped to the particular situation. In the armory of remedies are plant seizures with government operation, injunctions and compulsory arbitration, in addition, of course, to special fact-finding boards. As I have already stated, I believe it to be far healthier to hold these remedies in reserve for special use in emergencies than to spell

them out in advance in legislation, of which one or another party may be tempted to take advantage. If the danger were greater than it seems to me to be, a comprehensive legislative effort of this sort might be appropriate, but the fact of the matter is that we have not yet actually experienced a large-scale strike which has reached the point of so seriously damaging the national economy as to require drastic and summary measures of compulsion to end it. Always something has happened to fend off the danger—some improvised procedure or the surrender of positions under public pressure. And I believe that we shall continue to fare as well in the future.

Finally, it must always be remembered that there is no such thing as labor with a capital "L", or industry with a capital "I". All labor is a part of all industry, and the human beings who compose it are members of the communities in which they live, and are profoundly influenced by the customs, attitudes, fears and aspirations of the run of the people in those communities. In the last analysis the community will shape the conduct of its members. In this, rather than in the dictation of government, lies our ultimate safety; and in this lies the strength of our democracy. No one who has faith in our democracy need fear that working people will take steps to destroy it so long as they themselves believe in it. And they will continue to believe in it so long as it affords them hope, and a sense of security, and an opportunity to develop their talents and to build a decent life for themselves and their children. Who can doubt that our democracy will prove equal to this task?

REMARKS BY THE CHAIRMAN

CHAIRMAN ANGELL: Thank you, Mr. Garrison.

The formal discussion will be started by Mr. Virgil Day, who is Assistant Manager of the Employee, Community and Union Relations Division of the General Electric Company. Mr. Day!

DISCUSSION: GOVERNMENT IN THE FIELD OF LABOR RELATIONS

VIRGIL B. DAY

Assistant Manager, Employee, Community and Union Relations Division,
General Electric Company

AT this point in the program I wish I had the good judgment of George Bernard Shaw. Mr. Shaw once received an engraved invitation from a very distinguished lady, which read something like this: "Lady Symington will be at home on Wednesday from 3 to 5 P.M." Mr. Shaw returned the card with this note: "Bernard Shaw, likewise." [Laughter]

My wish to emulate Mr. Shaw arises simply from prudence. It was intended that Mr. Garrison's paper would be available some two weeks in advance, but that was not possible. I received it only today and have unfortunately not been able to give it the attention it so obviously deserves. I am a bit forced to shoot from the hip. But Mr. Garrison's observations, as we all know, are always of great interest and command great respect.

The subject, and the issue, to which Dean Garrison has turned his attention is an important one. But because of the significance of the subject, and because our time is very limited, I am afraid we are a little in the position of the GI during the war, brought home from combat on an emergency leave, who was scheduled to return overseas in forty-four hours, and wanted to get married. He took his fiancée down to the City Hall and tried to arrange for the ceremony. They would give him a license all right, but they told him there was a three-day rule, and there was just nothing that could be done about the ceremony until three days had passed.

He thought there must be something that could be done about it, so he asked to see one of the judges, and they arranged for him to go to the chambers and see the judge. He explained, and the judge said, "I'd do anything in the world to help you, but it's a state law and can't be waived. I'm terribly sorry."

The GI looked for a time at the judge, then at his girl, fingered his overseas cap, and then finally said, "Couldn't you say just a few words to tide us over the week-end?" [Laughter]

I am afraid that all of us have to be honest with ourselves; all that we are going to be able to do this afternoon is have a "few words to tide us over the week-end."

Let us first focus our attention on Mr. Garrison's analysis of the basic problem: Why is there a need for us to discuss this general problem at all? What about this Mad Tea Party that is labor relations today? Why in the current scene do we observe these tendencies of the government to intervene in the industrial relations picture or these urgings from certain sources that the government should intervene?

Is Mr. Garrison's view (which he gave us briefly from the "expurgated" portion of his paper) that on the whole there has been tremendous improvement in the area of employer-employee relationships, judged from the long-term viewpoint, shared by most of us here today? Or do most of us look at the current scene from what seems to be the viewpoint of the general public, namely, that the famous Alice—of Alice in Wonderland—could almost as accurately have been describing a great segment of union-management relationships today, instead of the Mad Hatter's Tea Party, when she said: "It's the stupidest tea party I was ever at in all my life"?

As the public sees it, despite the obvious advantages of our all working together, too large a number of unions and managements are not doing that. Will Rogers said that "Everybody is ignorant, only on different subjects." The public generally believes that management and labor are very ignorant about this subject, or at least they act as if they were very ignorant about it.

The post-war labor relations scene has been characterized by attitudes of swashbuckling and battle. What the learned professors describe as "structures of conflict" are far more prevalent than "structures of coöperation" or "structures of accommodation". Looking at the national scene as a whole, it must seem to the casual observer that there is a real "cold war" between substantial segments of union leadership and management. The pattern of underlying conflict has been given additional emotional impetus by the fact that leaders of many unions appear drawn toward collectivism while management, for the most part, shies away strongly from collectivist theories.

There have been, of course, many significant movements by the parties deliberately and genuinely to seek out areas of coöperation and of mutual agreement. But these constructive manifestations, in the eyes of the public, are still too few.

Some observers of these symptoms have suggested that unless management and labor leaders come generally to realize that they are not opponents who must slug it out to a one-sided victory or defeat—unless they come to believe and act on the belief that they are joint partners who can work out a live-and-let-live policy—they both will lose their freedom. There is a widely held view that the end of free management and free unions alike is inevitable if open warfare between them continues.

Are we as a nation in danger of losing our confidence in our ability to solve problems such as this one voluntarily? It is when a nation loses confidence in itself that it willingly surrenders its problems to the dictator or the planner. In Walter Lippmann's metaphor, it "welcomes manacles to prevent its hands shaking."

Fortunately, neither management nor union leadership today seems seriously inclined to surrender its functions and throw its problems in the lap of government. Both sides, despite other differences, generally tend to find more and more that their fundamental problems are best solved between themselves.

The United Mine Workers announced last week, for example, that they opposed President Truman's proposed Coal Industry Study Commission because they do not want Congress mixing into coal-industry labor relations. UMW's Executive Board says this matter can best be handled by the industry and the union alone. Does that surprise you?

Likewise, in the arbitration field, as another example, despite the desirability of arbitration under certain circumstances, there is a growing trend to restrict arbitration to disputes arising over the *application or interpretation* of a contract which has been negotiated, and to avoid arbitration on the fundamental issues between the parties. In other words, there is a recognition that arbitration is, in the final analysis, an undercutting of collective bargaining, a surrender of functions by both parties. Similarly, despite the very strong differences of opinion about labor law revision, both union leadership and management are in complete agreement that you cannot legislate good union-management relations or good employee relations.

Thus, a first question is posed by Mr. Garrison's provocative analysis: Is the public unduly alarmed about what appears to them as manifestations of open warfare between employers and the unions—having in mind the coal strike, the steel strike, the currently threatened telephone strike, the Chrysler strike and others—or, on the other hand, is the more accurate picture the one suggested by Mr. Garrison?

Although my function here is primarily to stimulate and provoke discussion by this very distinguished group, I must frankly say that I personally share Mr. Garrison's viewpoint that actually tremendous advances have been made in the art of achieving satisfactory union-management relationships, and that, to a far greater extent than is generally realized, there has been a growing maturity of approach on the part of union leaders and industrial leaders.

I might add that while management on the whole seems to have been quicker to adopt a more mature attitude toward the problems in the employer-employee area, goaded perhaps by the pressures resulting from aggressive union activity, the need for developing a mature approach has been just as great and in some instances continues to be just as great on both sides of the fence.

As the Dean pointed out very briefly, fortunately the major hurdle of union recognition lies far behind, except in isolated instances. There has existed for the last decade one major and hopeful advance—the acceptance of the collective bargaining relationship itself, under both the Wagner Act and the Taft-Hartley Act. Union recognition as such, which was formerly a central issue of industrial relations, has been removed from the scene of overt industrial warfare. There are, of course, scattered areas where die-hards refuse to accept the collective bargaining principles embodied in the Wagner Act and the Taft Act.

As a second issue, Mr. Garrison focused our attention very properly on what he feels are the obstacles in the way of achieving more satisfactory relationships in the area of employer-employee relations. He appears to conclude generally that the main unresolved issue is wages, and has suggested several very intriguing approaches toward minimizing the difficulties that arise in this area of dispute. He also feels that much of the difficulty arises from the consequences of bigness in both unions and corporations.

Again, I suppose our fundamental inquiry must be: Does this analysis in general tend to pin-point the problem? I believe that, from Mr. Garrison's recognized long acquaintanceship with industrial relations problems, his viewpoint should be given great weight. However, arguments are what make horse races.

Not knowing what Dean Garrison was going to say on this subject, I made a brief excursion into the literature in this field—and there are more gratuitous solutions to the ills of mankind offered by all kinds of self-appointed experts in the field of labor relations than in any other of which I know. As nearly as I could determine, the current learned inquiry in this field has turned up nine different causes of industrial conflict—or, more properly, obstacles in the way of better employer-employee relationships—and no one seems to agree completely with Mr. Garrison's thesis that the real problem today is wages.

Let us briefly look at these other viewpoints, because they might help us in the subsequent discussion. As seen by other students of the problem, here are nine different obstacles to real industrial peace:

1. Ideological differences. Our observers point out that it is still the constant aim of a few unions to draw a sharp and irreconcilable ideological distinction between the interest of employees and employers. Under this class-warfare theory, collective bargaining is considered as no more than a means of temporarily stabilizing whatever happens to be the current balance of power.

2. The "state of war" theory. While giving lip service to free enterprise principles, it is pointed out that some union leaders still refuse to regard themselves as part of an industry but as hostile to it. Although rejecting the class-struggle doctrine, they nevertheless—in

the words of Professor Louis M. Hacker of Columbia University—"regard industrial relations as a state of war." This hang-over from a decade ago has continued despite the changes we have all observed.

3. The hurdle of "compatibility". Compatibility is just as important in industrial relations as it is in marriage, and most observers seem to agree that unions and management have to have two things to have industrial compatibility: (1) the sincere acceptance of each other, and (2) the drawing of specific lines between "mine and thine" which are consistent with the institutional needs of both sides. Many of the learned professors who have studied the subject of industrial relations believe that the greatest promise for elimination of problems of future conflict may lie in this area.

4. Differences in basic political viewpoints. As we have noted, the leaders of many unions appear drawn toward collectivism while management, on the other hand, tends to shy away strongly from collectivist theories in any way, shape or form. Unfortunately, the differences of opinion in this area have much the same quality or character as religious beliefs and engender much unfortunate emotion.

5. Differences in basic economic viewpoints. I think we can pass over that very quickly. The pros and cons of "pump-priming" and "deficit financing" are among the controversial issues here.

6. Problems arising from the union drive toward increasing participation in the operation of industry. That is, again, self-explanatory.

7. The fact that unions are political organizations. The gentlemen who make these comments do not make them critically; they make them as observations. They assert that a union politician depending upon periodic elections is in effect constantly running for office. He finds it difficult to bid for the support of voters except by offering more. This is often the reason why many union demands appear quite divorced from the problems of business economics.

8. Bad attitudes of management. Several types of management attitudes often foster the "state of war" theory. Management generally does little to disguise the poor opinion it has of present-day union leadership and tactics. In many cases, its judgments are hard and unreasonable because of a failure to "look at the problem from the other fellow's viewpoint." Management has been unduly reluctant to offer responsible unions the coöperation they may deserve.

9. The need for ego satisfactions of employees. Many of the industrial psychologists assert that often the real cause of conflict is not economic in nature but arises from the need for ego satisfactions of employees. It is stated: "Economic motives . . . in some cases may be significant and not in others. Surprisingly, often they are not. Ego satisfactions frequently have more attraction power for the worker and the executive alike." Under this view, what is needed to obtain ego

satisfaction at any given time may vary. One time it may be a raise, or it may be security, or it may be praise or self-expression or treatment of the individual with a dignity that an individual deserves, giving him a sense of participating, giving him the "extras" in life.

In view of these differing ideas we have briefly reviewed as to the obstacles in the path of better management-union relations, I suppose we have an issue as to what really is the problem.

Turning to the next issue, Mr. Garrison has expressed the view that the current proposals to make unions subject to the restraints of the Sherman Antitrust Act or to restrict industry-wide bargaining are inadvisable. This is a subject where the arguments pro and con appear to me so obvious as to need nothing more than for me to throw out the challenge to you here: What do you think?

You remember the old story that high heels were invented by a girl who had just been kissed on the forehead. What we need are some high heels in approaching this problem.

I might mention here that there are many who would agree wholeheartedly with Mr. Garrison that, if it is determined that additional governmental intervention is necessary or desired, any such legislation should be tailor-made to fit the needs of the particular industry, and the particular problem, rather than based on a shotgun approach to industrial problems as a whole.

The major suggestion that Dean Garrison makes is, if I correctly understand it, a highly interesting one. On the assumption that wages are the main area of conflict, he suggests that labor and management might develop standards or criteria to be used, mutually agreed upon between management and labor through the vehicle of joint boards or tripartite boards who would attempt to develop agreement on general principles in the calm and cool periods in between the periods of active bargaining. It is suggested that, were these criteria developed, the parties would be more and more willing to use voluntary arbitration, even for wages, since an arbitrator would not be free to enforce his own personal theory of economics or social justice or whatever upon the parties, and they would be to a very much less limited extent subject to the hazards now recognized in this area.

In taking a closer look at this suggestion, I think we must first of all recognize that it is based on an assumption which is almost universally accepted by most observers of the labor scene today, certainly by management in general and to somewhat lesser extent by most unions; that is, that compulsory arbitration of wages or of the fundamental contract between the parties is to be avoided at all costs. Arbitration of the application or interpretation of collective bargaining contracts is regarded quite generally as desirable, and such arbitration is constantly growing better in its performance and satis-

faction to both parties, although much is still to be desired; but compulsory arbitration has not worked out.

There is too much at stake to turn issues over to an outsider or outsiders who, however well meaning or sincere in their purposes, have no responsibility for the results which they decree. This has proved not only a tremendous weakening of the collective bargaining principle itself, but it has even failed to achieve the results which it was supposed to accomplish.

Both Will H. Davis and George Taylor, the former chairman of the National War Labor Board, have repeatedly pointed out that many unions and employers refused to bargain in good faith during the war because they believed they could obtain more from the War Labor Board than they could by bargaining. It takes away the compulsion to reach a meeting of the minds which is present when you have the strike threat.

The New Jersey experience under compulsory arbitration of public utility disputes has similarly been unsatisfactory. It is highly significant that, without exception, every company which had new contract terms settled by compulsory arbitration under the New Jersey Act in 1947 were subjected to the same treatment again in 1948.

Now, what about this proposal that criteria or standards be set up? At first blush, this sounds as if it might be an easy job, in view of the current lip service given by everyone, regardless of what appears to be his real motivations or beliefs, to free enterprise or to so-called free enterprise values. But I do not think we can easily overlook the fact that there are many basic differences in the area of economic philosophy and an understanding of sound economics which are serious and even critical.

All employers and all unions want to raise the standard of living in this country not only for their own employees or members, but for everyone. But let us take a look, for example, at the steel strike last year, where there were two main issues: wages and pension-insurance benefits. The three basic arguments which have mostly been used by unions in the post-war scene were advanced: arguments based on cost of living (which did not happen to be appropriate last year), arguments based on ability to pay, and pump-priming theories. I suggest that if there were any real chance of getting agreement between the parties with respect to Mr. Nathan's pump-priming theories advanced on behalf of the union, which the chairman of the Presidential Steel Board treated rather roughly in a footnote as "an unorthodox version of Keynesian economics", it would surprise a great number of people. Similarly, the popular, but fallacious, "ability-to-pay" argument of unions will find violent protagonists on both sides of the fence.

Any constructive proposal, such as the one put forward by Mr.

Garrison, should be given the greatest attention and consideration. Yet there may be considerable question as to whether sincere agreement on lofty sounding principles or even upon fairly specific theory along the lines suggested by Mr. Garrison would be enough to do the trick. For example, a prominent leader in industry, writing in the *New York Times Magazine* in January of this year, suggested that labor and management get together, free from government or political help, to write their own rules to govern industrial relations, with recognition of the following:

1. That increased prosperity for all involves the highest degree of production at wages assuring a steady advancement in the standard of living.
2. That the rights of private property and free choice of action are the foundations of our ever-expanding economy.
3. That management has inherent rights to direct the operations of an enterprise.
4. That labor has fundamental rights to organize and engage in collective bargaining.
5. That we must coöperate in building an economic system which will protect the individual against the hazards of unemployment, old age and physical impairments beyond his control.

The United States Chamber and National Association of Manufacturers were then urged to take the lead in a call to draft such rules. I heard considerable comment about this proposal and it went about as follows. Some said, This is an intelligent, constructive approach in the American spirit of sensible coöperation. Others said: Let us face the facts. This is a lot of sincere, and well-meaning nonsense, as is so much of the learned bunk preached in the field of industrial relations. First of all, nearly all employers and nearly all unions today—even those with left-wing leanings or those thought to be pro-Communist—would come pretty close to agreeing with the principles enumerated. Second, you would be fairly foolish and unsophisticated if you thought that there would not and could not still be a strike over any of the usual issues just minutes after the ink was dry on the joint statement of principles. Third, we can't bind ourselves with pretty words and fail to recognize the facts in the case.

These principles I have enumerated may mean about as much as the ideal political platform that H. I. Phillips recently suggested in the *Telegram-Sun*: "We stand for: 1. You. 2. Your family. 3. Fair weather. 4. Love. 5. Romance. 6. More dough. 7. Longer summers. 8. Goose feathers in all upholstery. 9. Federal dancing lessons. 10. Ten hours' sleep." [Laughter]

Now, I would like to apologize for running overtime. Who would like to take on Mr. Garrison?

REMARKS BY THE CHAIRMAN

CHAIRMAN ANGELL: I am very sorry we have had to interrupt Mr. Day's remarks. It was not for any lack of value in or appreciation of what he was saying, but only because we have a substantial part of the program still to come.

I am going to have to violate immediately the ground rules that I laid down, and ask postponement of general discussion of Mr. Garrison's paper and Mr. Day's remarks until the end of the assigned program. Both were very provocative and forward-looking statements, but we do not have the time at the moment to consider them. We will come back to them a little later on.

Our next speaker is Mr. Allan B. Kline, who is one of the great farm leaders of this country. He is the president of the American Farm Bureau Federation, a director of the Federal Reserve Bank of Chicago, and a director of a number of public-spirited organizations.

The title of his paper also indicates he is going to deal with a very small topic. He will talk about "Government and Agriculture". Mr. Kline!

GOVERNMENT AND AGRICULTURE

ALLAN B. KLINE

President, American Farm Bureau Federation

THE farmer, an individualist by tradition, and by instinct inclined toward full and free production, is a member of one of the economic groups now most directly subject to government action. Out of experience in this situation during the last few years, the American Farm Bureau Federation has developed definite attitudes toward the problem of the expanding state, and toward methods of learning to live with big government. Whether we like it or not (and most of us do not) big government is a reality we must face.

I intend to discuss government farm programs here, but only incidentally, and principally to illustrate major trends now operating in a much larger field. Solutions in this broader area, the national and world economy, are of more importance to the farmer than any price-support methods or any other specific agricultural measures which may be adopted.

The welfare of agriculture, the prosperity of farm people, depends on achievement of certain goals throughout our economy. Chief among them are high per capita production and well-distributed real income outside agriculture; high per capita production within agriculture; a more stable general price level; the effective curbing of monopoly in all segments of the economy; and an adequate, healthy international trade.

If all these things were accomplished facts, we would not need government farm price programs. But they are not accomplished facts, and we must recognize present realities. Unfortunately, some of the extensions of government tend to make the accomplishment of these goals more uncertain. We have the problem of keeping such government programs as may be necessary consistent with an expanding, dynamic economy, with full production of the real wealth which makes for high living standards. It is proving to be no small task.

If we in agriculture have learned anything from our experience during the last few years, it is that high productivity and well-distributed income among nonfarm people are our best

assurance of farm prosperity. Without those things, no matter how many artificial devices we use to keep farm prices up, we fail to achieve satisfactory income.

Farmers no longer live on what they produce themselves. They live on what they can buy with what they get for what they produce. When people outside agriculture are productive, the goods and services farmers buy are plentiful at reasonable prices. At the same time, when they are productive these people are able to buy large quantities of high-quality farm products, and to pay fair prices for them.

The corollary is high per capita production within agriculture itself. What the farm family produces constitutes its real claim on society for a high standard of living, and in this respect agriculture has an enviable record. In the early days of this nation's history, 90 per cent of the American people were farmers. Now only 18 per cent farm, if you take census figures on farm population. Actually about half of these census farmers produce 90 per cent of the farm commodities that move in trade.

This continuing, expanding per capita production in agriculture has released a larger and larger part of the population for production of other goods and services, more and more of the things which have made our high living standards in the United States possible. Similar increases in per capita production in industry and in other lines have in turn contributed to the magnificent material progress which has made this country the envy of the world. This same productiveness has likewise released the people and created the leisure for progress other than material.

Here it is well to note the difficulties which arise when those who discuss national farm policy fail to realize that the problems of that half of our farmers who produce most of the agricultural commodities that move in trade are quite different from the problems of the other half of agriculture. In the other half, there are many people who are no special problem. There are part-time farmers with good jobs; there are retired and semi-retired people who farm, but not extensively; and there are a considerable number of others who get into agricultural statistics, as far as the census is concerned, because the places where they live fit the census definition of a farm.

Then, there are a million and a quarter to a million and a half of these farmers who are primarily subsistence farmers. Their problem is not a price problem. It is a problem of opportunity.

Unfortunately, many of those who deal in public policy fail to divide this problem. Even many of those who think seriously about it and do have understanding of it insist on discussing the problem of the subsistence farmers every time agricultural price problems are discussed, thus adding to the public confusion on the subject.

Let us just see what the application of "guaranteed" prices does to the farmer who needs land and machinery and opportunity, say one who gets \$750 gross in an average year. Some of you may say, well we do not have such farmers. Oh yes, we have; many, many thousands of them. They may get a higher price than before but, of course, they have to be content with less production. We must, to be sure, have controls to make such guaranteed prices effective. This leaves them about the same income, or at the very best, and if we exempt them from the controls, only a very little more. This is not good enough for America. These people need a progressive society most of all—new capital, education, better health, new opportunity. Also, they need new industries in which some of them may find more profitable and useful employment. It is unnecessary in this country to stabilize and perpetuate poverty thus, and it is cruelly dishonest to hold out price guarantees to these farmers as an answer to their problem. We must and we can, working together, expand creative opportunity. This way lie progress, prosperity, personal liberty.

With only 150 million people of the world's more than 2¼ billion population, we have almost half the world's industrial output. The nations look to the United States not only for the things it produces, but also for guidance in development of techniques and methods by which they can, in some degree, follow our example.

We need imagination to guide our efforts in another direction in this country at this time. To be sure, we must continue to develop and expand our opportunities for production of material wealth. At the same time we must recognize that the fruits of this sort of success must be found in uses for leisure. Increasing numbers of people will find employment in expand-

ing recreational facilities, in furnishing services of all sorts. There is going to be more time for self-development, for reading, for good living, and for the arts. More resources will be available for expansion of education, more time available for using these resources. Here we can be guided by a traditional attitude that it is the citizen, not the government, that is of real importance.

A more stable general price level is among the essentials of agricultural prosperity in our free society. In a free-choice system, things are distributed with money. In another kind of system, they are distributed with licenses, coupons, permits and various other arrangements based on statistical analyses and doled out by the government.

Farmers produce steadily, and agricultural prices are extraordinarily responsive to the fluctuations of the general price level. Agriculture is extremely vulnerable at the moment, because if the movement of the general price level follows its historical pattern, we may expect a very great decline in prices.

In the field of fiscal policy, effective measures can be taken by government without direct controls on agriculture and industry. The expansion and contraction of credit, management of the public debt, many factors affecting the value of money, comprise an area which calls for extensive study leading to constructive measures which can do much to stabilize our economy within the framework of our free-choice system.

The problem of the expanding state raises the question whether we are going to abandon the things on which America's progress to date has been based. What are those things? They are not our natural resources alone; they are not any super-human abilities on the part of our people. Some other nations and groups of nations are at least as well equipped in natural resources, and all have able men and women.

No, the answer lies in the peculiar social, political and economic institutions which, since this country's founding, have made it possible for our people to use our resources to their own best advantage and that of society as a whole. We have a tradition of freedom, opportunity, and just rewards for individual efforts. On this tradition we have built well in the past. Are we ready to trade it off for something else, or are we going to continue to build on a system which has put this country in the forefront of the world?

The field of agricultural policy today provides as good an illustration of this choice as I can find. It happens to be the field in which I have been largely occupied for several years, but I should like to make it clear that I am using the subject primarily to illustrate the fundamental decision which this nation now faces with respect not merely to farm policy but also to national policy as a whole. And it is well to remember that our choice will have a powerful influence on the future of other nations as well as our own.

It is scarcely necessary to say that the American Farm Bureau Federation believes in farm price programs. They are needed because agricultural prices rise and fall much more sharply than do prices of nonfarm goods. Farm production generally remains high even when prices decline steeply. These sudden declines in agricultural prices are not matched by similar declines in prices of things farmers buy. Outside agriculture, prices tend to remain stable, while production fluctuates widely. From the spring of 1948 to the fall of 1948, the cash price of corn was more than cut in two. The price of tractors was stable and freight rates actually rose. Costs in agriculture are "sticky". They are tied to certain costs which neither business nor labor can easily get away from under present circumstances, the most demonstrable of which is the hourly rate of pay.

However, we consider farm price-support programs as a form of insurance against drastic price declines, rather than as a method by which government guarantees profitable prices to farmers. We believe that the prosperity of the individual farmer, like that of the individual business man or the individual worker, should depend on his own ability to produce efficiently and economically the commodities which consumers want and need.

Support prices should be flexible, geared to the supply of each commodity supported. This reduces the danger of accumulating unwanted surpluses, and permits the market to remain an accurate guide to intelligent production. Experience has clearly demonstrated that high and rigid support prices result in piling up surpluses which hang over the market until they are absorbed, somehow, in some channels of consumption. Unwarrantably high support levels can do no more than postpone the problem; they cannot solve it.

Price supports at any level are not, in themselves, an answer

to the farm problem. They are not even the major part of any adequate "farm program". In the past fifty years, research and education have certainly been a number one farm program. To be of value on a long-range basis, a farm program must make provisions for soil conservation and improved farming methods, better marketing practices, and encouragement of adjustments in farm operations to produce more of the foods needed in improved human diets. Farmers must share the responsibility for, and be tuned in on the benefits of, over-all national progress.

These are the essentials of the Farm Bureau's program, a program designed to fit into our free-choice economy, consistent with the American tradition, and which does not place the individual farm family in a position of permanent dependence on the federal treasury.

The highly publicized Brannan plan represents the opposite philosophy on farm programs. It also typifies the thinking of those who would trade our American system for something quite different—a system in which the individual relinquishes to government much of the control over his own destiny.

If we are to consider the Brannan plan at all, we must take it either as political hokum—an offer of cheap food to win consumer votes and an offer of high farm prices to win farm votes—or we must consider it as a serious proposal, embodying the various features outlined in the mimeographed copies of Secretary Brannan's presentation made to Congress a year ago this month. I prefer to deal with it on the latter basis, assuming that it was seriously and honestly proposed.

Briefly, the plan would set up an income standard. This standard, however, is used only to calculate supports on specific commodities. It is reflected in the highest level of price supports ever seriously suggested. This, of course, means greater regimentation and control by government. It would permit commodities to clear the market at any price they would bring. Farmers are asked to believe that they would be paid directly from the United States Treasury the difference between the market price and the price reflecting the income standard. I should like to take a specific example to show how the plan would work in practice.

The Secretary proposed guarantees of \$19 per hundred-weight for hogs and \$1.46 per bushel for corn. This is a profit-

able "corn-hog ratio". Obviously these prices would get a lot of hogs produced, as is the intention, and the market price would drop accordingly. The farmer, in theory, would receive from the government the difference between what his hogs would bring in an overloaded market and the \$19 guarantee.

If the farmer's returns for hogs were guaranteed high enough to get a 20 or 25 per cent increase in production, the market price would be reduced materially more than 20 or 25 per cent, and all the producer's net income from hogs would be tied up in the government check.

Those of us who have had some experience in securing congressional appropriations would hate to see farmers depending on government checks for their net income, especially since receipt of those checks would depend on compliance with whatever control programs were in effect. Parity payments actually appropriated for 1938, 1939 and 1940 amounted to only about a third of the total payments authorized under legislation in effect at that time.

Still assuming that the price-support figures cited by the Secretary last spring were seriously meant, it is difficult to reconcile a guaranteed minimum of \$19 a hundredweight for hogs with cheap food. If a large part of this price comes to the farmer in the form of a government check, it does not alter the fact that the consumer still pays the entire cost, together with administrative expenses.

If the Brannan plan had been in effect October 1949 through January 1950, the tax cost for actual marketings of federally inspected hogs alone during that period would have been \$181,780,500, assuming *no cost for administration*. This contrasts with no tax cost at all on hogs under the present program for that period.

The notion that the Brannan plan would mean cheap food is an obvious fallacy. Not only is it more expensive to pay for groceries by way of Washington, but the effect on American agriculture would be to reduce the general standard of efficiency, thus increasing costs.

The plan would put government in the position of guaranteeing profitable farm prices. Inevitably it would have the responsibility of dividing the privilege of producing at these guaranteed prices. Again, of necessity, a democratic government would increasingly divide this privilege among farmers

"equitably" (on a political basis, one vote, one share). Efficient producers are squeezed, and inefficient production is continued and expanded. This is bound to be the case in any high, guaranteed price program necessitating a comprehensive system of production and marketing controls.

The tendency would be toward standardizing agricultural production on a relatively low level of efficiency, and toward discouraging individual initiative on the part of the farmer. The result would be more expensive, not cheaper, farm products. (Incidentally, notwithstanding the impression one gets from some statements by officials of the Department of Agriculture, the American consumer now can buy more and better food for the money earned with an hour's work than can the consumer in any other major country in the world.)

Current agitation for the Brannan plan brings up another issue fundamental to the problem of the expanding state. As is well known, the Brannan plan originated in the office of the Secretary of Agriculture and is receiving its strongest backing from federal employees. It is fair to ask whether this is a legitimate way to develop agricultural policy in America. There can be no objection to a cabinet officer suggesting legislation. The use of federal employees for its promotion is a horse of another color. The dangers implicit in this approach are emphasized in agriculture because of the fact that employees of the Department of Agriculture are in direct contact with every rural community in America.

Farm policy is a part of national policy, and is established by law. Under our system of government the elected representatives of the people in Congress make the laws. Congress determines national policy; the administrative agencies of government are charged with the responsibility of carrying out policy laid down by Congress. There is nothing in the Constitution of the United States or in the American tradition which authorizes federal agencies to promote policies in conflict with existing law.

But this is precisely what is going on. Instances of the usurpation of policy-making functions by the federal lobby are becoming more flagrant as time goes on. There are few greater threats to our liberties than this misuse of the administrative agencies of government.

We have for a long time recognized the problems of success-

fully living with big business, and have tried to curb its abuses while enjoying its advantages. We are endeavoring to learn to live intelligently with big labor. It is imperative that we also learn to live with big government. If the people do not succeed in managing government, government will most certainly manage the people. The vested interest in big government is as clear as any other "special interest", and is no more benign. Personally I have arrived at the conviction that decentralization of personnel control in government programs is a must.

Whatever political party is in power, we cannot look to the executive branch of the federal government for the protection of individual liberties. If the executive could extend individual rights and privileges it could also withdraw them. Our liberties always have depended and always will depend on a freely elected, truly representative legislative body, conscious of its direct responsibility to the people themselves.

We look to Congress to call the tune in the United States; to cut the pattern of the future. The attitude of the American Farm Bureau Federation, representing the combined opinions of over 1,409,000 farm families, is expressed to Congress. Congress looks to voluntary organizations of farmers for information in developing agricultural policies. Our recommendations were given weight by Congress when it enacted the present farm legislation, although I wish to make it clear that the present law is far from a precise reflection of our views.

The Agricultural Act of 1949 is not perfect. However, we consider it preferable to the Brannan plan or any similar scheme which would place the farmer at the mercy of the government for a major part of his income. The philosophy back of our program is that of a free-choice system. Mistakes we have made can be corrected by using the traditional democratic processes, which, on balance, have been dramatically successful.

Farm programs should be consistent with a dynamic, free-choice economy. The farmer should be given maximum opportunity to make his own decisions on production and marketing. These requirements the 1949 Act fulfills reasonably well. It provides for the flexibility in price supports necessary to keep the market a reliable guide to production and utilization of farm products. Unfortunately, however, it postpones application of this flexibility, and contains certain other features

which make for a higher and more rigid price-support structure than the Farm Bureau considers consistent with the best interests of farmers and consumers.

We intend to use the Act, meanwhile doing the other things which make for prosperity. We shall recommend such changes in the law as experience indicates, in order to make it more consistent with full opportunity for farmers to benefit from an expanding economy.

We hope that we can keep such an economy in the United States. The influence of the American Farm Bureau Federation will continue to be used to help maintain, strengthen and improve the system which has made America.

You may have reached the conclusion that the Farm Bureau attitude is a conservative one. On some points our policies are conservative, and on some they are not. However, I believe that this country has reached a stage in its development when a discriminating conservatism is of the utmost value.

In this period of rapid social change, at the end of a half-century marked by the two most devastating and disruptive wars in history, we face staggering decisions as a nation. In the shadow of the greatest threat civilization has ever known, however, we, in this country, still have the freedom and, I firmly believe, the ability to choose.

The chaotic state of the world gives us a heavy responsibility and a brilliant opportunity. It is my firm conviction that if the values of our civilization are to be richly productive, as in the past, if the tradition of individual liberty and human dignity is to be preserved, we must show the way as virtually the only people left in the world having both the tradition of freedom and the resources for making good on our decisions.

REMARKS BY THE CHAIRMAN

CHAIRMAN ANGELL: The leader of the discussion of this most stimulating and inspiring paper is my friend and colleague, Harry J. Carman, Dean of Columbia College, himself an old-time farm boy and a leading American educator. In terms of a phrase that Mr. Winston Churchill condemns for form of grammar, "He is a man whom I am a very warm admirer of." [Laughter]

DISCUSSION: GOVERNMENT AND AGRICULTURE

HARRY J. CARMAN

Dean of Columbia College

WITH many of Mr. Kline's major premises there can be no serious disagreement. All would agree, I believe, with his thesis that agriculture and its welfare rest fundamentally upon the over-all status of national and world economy and cannot and should not be separated therefrom.

After all, as Mr. Kline has pointed out, this problem of agriculture is not merely a problem for farmers; it is a problem that concerns all the people of the United States. And certainly no one in this company, or any other company, familiar with the facts can deny that we have farmers and farmers, and that the status of those farmers who produce most of our agricultural commodities is very different from that of those who, as Mr. Kline pointed out, are part-time farmers, subsistence farmers, small-scale farmers, and others in this particular category. Farmers in this second category produce a very small proportion of our agricultural products.

I am also in entire agreement with Mr. Kline in his emphasis upon leisure and the need for better rural communities. It seems to me that his observation in this respect is very much to the point. Here, however, I think that he might have stressed more fully than he did that opportunities for education, for health services, for libraries, for recreation and other facilities are woefully inadequate in many rural communities because of low farm incomes.

Again he emphasized the dangers of inefficiency to the farmer, but I think he might have pointed out that the inefficiency may and does result often from inadequate size of farm units. I do not know whether Mr. Kline would agree or not, but it seems to me that a farm of such small acreage that it is unable to employ modern machinery and modern techniques is likely to be inefficient, and that the farmer and his family who try to farm these small-acreage farms are pretty apt to be found in the low-income group.

At this point, I should like to indicate that I think it is high time those of us who are concerned with the farm problem give consideration to the possibility of having a commission appointed, government or otherwise, which is representative, and which would concern itself, among other things, with these small-size farmers—small size in terms of acreage—and with subsistence farmers, especially those

on marginal lands who, even though they work hard, because of the land they have, are unable to make ends meet.

One thing such a commission might recommend would be that we get these people off these marginal lands. If they desire to continue farming, they should be relocated on better farms. Many of them might be siphoned into some other occupation. These marginal farms might very well be reforested or used for recreation grounds. In any event, it is not good economy for the government to keep these farmers going, for at best they will continue to be low-income farmers. No amount of government subsidization will make them anything else.

No one, I am sure, would quarrel with Mr. Kline's emphasis on our opportunities for freedom. But I want to warn you that these opportunities of themselves, however important, will not remedy the plight of those farmers who are on small-acreage farms or on marginal lands.

Mr. Kline, I think, is on very sound ground when he points out the inability of the individual farmer to withstand the consequences of recurring change in price levels, and these changes affect all classes of farmers, but they especially affect those who produce for the market.

It is unnecessary to enlarge upon Mr. Kline's thesis here. We all know that these wide downward swings in prices to which Mr. Kline alluded are caused partly by the inelasticity of demand for most farm products. For example, an oversupply of 10 per cent in farm commodities may bring about a price decline of from 20 to 30, or even 40, per cent before supply and demand are again brought into equilibrium.

In nonfarm production excess supply also occurs but this excess supply—for example, in steel or coal, or almost any other non-agricultural commodity—is quickly apparent, and the oversupply is quickly reduced.

Moreover, in nonagricultural production, unemployment compensation for labor prevails. The situation is very different with the farmer. With the farmer the interval is much longer and the overall supply is much less easily remedied. Farming is not big business in the sense the steel industry is big business. The same kind of economic pattern is wanting. There is no unemployment compensation for farm labor to maintain purchasing power. And without government aid, what happens? Just what Mr. Kline pointed out: Without government aid, mortgages and bankruptcy are the inevitable result. The pages of American history covering the last half-century, and particularly the period since World War I, are filled with supporting evidence as to what has happened to the farmer.

Mr. Kline contends that we should consider farm price-support programs as a defense against bankruptcy in the general economy rather than as a method by which the government guarantees profitable prices to the farmer. I am in agreement with that, but I would like to point out, however, that farmers are not different from others who are engaged in productive enterprise. They, too, expect reasonable profit on capital invested. They, too, feel that for all their labor and investment they ought to have a fair return.

Since World War I, there have been times when farmers have not received that reasonable or fair return—and those periods have not always been periods of depression. From the close of World War I to the beginning of the depression of the thirties, American farmers—and they were not all inefficient—were in difficult straits financially. While most business in this country prospered during those years, agriculture did not.

Unless the efficient farmer is assured of income that will make it possible for him and his family to have a standard of living comparable to that attainable in other occupations, he is apt to quit farming. And if he does not quit, and remains on the farm, he is likely to be a very depressed, restless human being, an agitator. It is unnecessary to enlarge upon the type. You know them.

Mr. Kline's argument that support prices should be flexible—that is, geared to the supply of each commodity supported—is, in my opinion, entirely sound.

Any sound agricultural policy should also emphasize consolidation of small-acreage farms, the importance of continuing farm family ownership from one generation to another, soil conservation, the use of better seeds, new species, and more productive livestock and poultry. These are the items which Mr. Kline undoubtedly had in mind when he stressed the possibilities of further education and research.

Furthermore, those of us who address ourselves to the farm problem must be concerned about the elimination of nonagricultural unemployment. The farmer's economic faith, and his spiritual faith, indeed, his whole philosophy of life and his way of life, are intimately associated with the welfare of the nonfarming part of our population.

Certainly, we should be opposed to any plan—I am speaking now of government plans—or policy which would encourage the continuance of inefficient production. Moreover, I am sure every person in this room would be opposed to a government subsidy which is likely to foster an attitude on the part of farmers or any other part of our population of getting something for nothing. If there is anything at the present time that is dangerous to the welfare of this country, both as far as farm population and nonfarm population are

concerned, it is the notion that you can be a parasite, or a leaner, or that you can get something for nothing.

Many of Mr. Kline's strictures as to the Brannan plan are well taken. On the other hand, there are favorable features of the Brannan plan that should not be overlooked. Were the Brannan plan adopted, we would eliminate costly transportation and handling and processing and storage charges which are prevalent under the 1949 Act.

I must confess (and here perhaps Mr. Kline and I would differ) that I am not a very enthusiastic sponsor of the 1949 Act—partly because of its lack of flexible parity, and partly because of the great administrative expenses incurred in its implementation.

The Brannan plan, it seems to me, would also eliminate the possibility of government waste of food and the double bill the consumers meet when they pay both the support of tax bills and higher prices in grocery bills.

Here again Mr. Kline might insist that the Brannan plan, if it were made law, would involve an enlargement of the administrative arm of the government. That is true, but I think almost any government-sponsored plan would within limits mean administrative expansion.

In his manuscript which Mr. Kline generously sent me a day or two ago, I noted that he is unhappy because of what he regards as an unwarranted trespassing of the administrative arm of the government upon the prerogatives of the legislative branch. I can understand his unhappiness, but would remind him that the perennial debate as to where the exact boundary, if any, between these two branches of government is to be found still continues.

Though he did not express it explicitly, Mr. Kline hinted that things today are different than they were in Lincoln's time. You remember, Lincoln said ours was a government "of the people, by the people, for the people". I suspect that Mr. Kline would agree with me that today we might say that ours is a government "of the people, by politicians, for interest-pressure groups". An agricultural pressure group interested in immediate objectives will not solve the agricultural problems for all the people.

REMARKS BY THE CHAIRMAN

CHAIRMAN ANGELL: As your Chairman, I find myself in somewhat of a dilemma. We have some program items of great interest to come. I am also under a strong injunction from what I can only call the management to close this meeting before eight or nine o'clock because there is also to be a dinner here tonight.

I remind you of the piano player in the western bar with this sign over his head, "Please do not shoot the piano player. He is doing the best he can." [Laughter]

I will, therefore, postpone the discussion of this set of papers as well to the end of the meeting.

Our next, and last, main speaker is Dr. Arthur J. Altmeyer, who has been a public servant for some thirty years. He is now United States Social Security Commissioner, and has frequently been a representative of this country in international conferences abroad. The title of his paper is also of very limited range, "Government and Individual Security". Dr. Altmeyer!

GOVERNMENT AND INDIVIDUAL SECURITY

ARTHUR J. ALTMAYER

United States Commissioner for Social Security

AT the outset it will be necessary for me to make certain assumptions in order to stay within some manageable limits. I shall assume that this subject which is assigned to me, "Government and Individual Security", refers to individual economic security. I shall assume that we would all agree that individual economic security is dependent upon a healthy economy. I also take it for granted that we would all agree that it is the responsibility of the government to promote a healthy economic situation. I take it that we would also agree that a healthy economic situation is one which provides steady employment at good wages, reasonable profit for employers and farmers, reasonable return on savings, and a sufficient supply of goods and services for consumers at a reasonable price. Finally, I take it, we would agree that, in a free society, government must promote a healthy economic situation in such a way as to promote freedom of choice and equal opportunity: that is, workers should be able to seek the best job; employers should be allowed to seek new and larger markets; investors allowed to make such investments as appeal to them; and consumers allowed to purchase goods and services as are most attractive to them.

But it is the nature of a free, dynamic, competitive economy that certain personal insecurities will develop on such a scale as to create a real social problem. I cannot discuss all the ways in which the government should protect—or at least is protecting—individuals and groups against various economic insecurities; that is, I could not undertake even if I were qualified to discuss the subject of farm price support or protective tariff or subsidies to railroads, shipping and airlines, and banking and securities legislation—that is to say, all the various ways government seeks to protect citizens against economic insecurity of one kind and another. I can only discuss what the government should do with regard to protecting the individual against total

loss of earnings from his personal effort as well as against such an unpredictable serious economic hazard as the cost of adequate medical care. In other words, I can only talk about the rôle of government in providing what we have come to call in this country and throughout the world—"Social Security".

What do we mean by "Social Security"? Some people have defined social security in such large terms that it is really useless as a term to describe a specific government program. I shall discuss "Social Security" in a very restricted definite sense; that is, as a specific government program to eliminate want by preventing total loss of income and affording protection against the serious and unpredictable economic hazard of ill-health.

Why do we have to have a government program providing protection against economic hazards to the individual? Well, the economic hazards of unemployment, sickness and disability, old age and death, all cause interruption or cessation of cash income, and cessation of income in an economy such as we have spells want. When we have so many people affected by these individual hazards, which are common to all citizens of the country, we find we are confronted with a social problem of great magnitude. People have always grown old; people have always been sick; people have always suffered disability; there has always been some unemployment, but as we change from a predominantly agricultural economy to a predominantly industrial economy, as we have changed from small-scale to large-scale production, from a rural to an urban existence, the self-sufficiency of individuals and families has declined, the usefulness of the older folks has declined, assistance from relatives is no longer as extensive as it used to be. But it was not until the depression of the 30's that we really woke up to the fact that we had a real social and economic problem on our hands because of these very hazards, particularly the hazard of unemployment.

The sort of social security system that the present Administration advocates and has been advocating for the last fifteen years consists of two lines of defense against human destitution—human want. The first line consists of a contributory social insurance system and the second line to consist of a system of public assistance. This first line of defense, as the term implies,

is financed out of contributions made by the potential beneficiaries and their employers, if they are employed. It is focused upon protecting to a reasonable extent the loss of income from personal services. The benefits are related to the loss of income from personal services. There is no means test. The only test is loss of income from personal services.

Now, in contrast, the second line of defense is public assistance. Public assistance is a system whereby cash assistance is granted to individuals on the basis of established need. There is, in other words, a means test—a needs test. The system of public assistance developed in this country under our Social Security Act is far different from the old-style system of poor relief. It provides payments in cash—on the basis of need, as established by a budgetary analysis. But once the cash is given to the person, that person may decide to buy some potatoes, or, instead, some of the high-priced beef Mr. Kline was talking about. The choice as to how the person will expend this small amount of cash assistance is up to the individual. To that extent, it is far better than the old-style poor relief. Nevertheless, there is this means test—this needs test. In a competitive economy—a free enterprise economy—the very fact that a person must seek from his government assistance on the basis of inability to pay his own way, and must prove his need, carries a stigma no matter how intelligently, how kindly, that sort of assistance is administered and I believe on the whole it is being administered in a kindly and efficient manner. It is an admission by a person in his heart that he has failed to make the grade, so I turn to the first line of defense as the truly American way of meeting this problem of personal insecurity, a contributory social insurance system which provides some protection against loss of income due to these major economic hazards that affect so many people in this civilization of ours—premature death, old age, disability, unemployment, and the cost of medical care. If we develop an adequate contributory social insurance system covering all of the people in the country who are subject to these hazards of loss of personal income, we can, I believe, reduce the second line of defense to a minimum.

I do not have time to discuss all of the features of a contributory social insurance system in detail. Just let me mention a few. We now have a federal old-age and survivors insurance

system on a contributory basis, and the Congress is in the process of revising that federal system. We now have a federal-state system of unemployment insurance linked in with a nation-wide network of employment offices which pays benefits for involuntary unemployment. When the offices cannot find a job for a worker, he is paid a certain portion of his wage loss as an insurance benefit. We have four states that provide protection against loss of income due to temporary disability. We have all the states providing protection against loss of income due to industrial accidents—what we call Workmen's Compensation. We have no states that provide protection against loss of income due to permanent total disability due to non-industrial causes. We have no states that provide any protection against the cost of medical care. Furthermore, the federal old-age and survivors insurance system covers only about sixty per cent of the persons who are dependent upon their personal efforts to earn a living, and the benefits are quite inadequate to meet the usual need of the individual when his current earnings disappear. Likewise, the state unemployment insurance laws are inadequate in terms of coverage and benefits.

So far as public assistance is concerned—the second line of defense—all states do have old-age assistance. All states have what is known as Aid to Dependent Children which used to be called Mothers' Pensions. All states, except four, have Aid to Needy Blind. The federal government shares more than half the cost of these forms of public assistance. But we have no federal assistance to take care of persons who do not fall within those three categories; that is to say, the disabled persons who do not happen to be blind, or elderly persons who are not yet sixty-five, but are, say, sixty-four or sixty-three, or persons who have exhausted their unemployment insurance benefit rights and are in need. Those needy persons must be supported entirely by the locality, and some states participate and share in that cost. There is no assistance from the federal government.

Because our first line of defense under the Social Security Act covers only old age and survivors—that is, wives, widows and children, and, in some cases, the parents—but does not cover permanent disability, does not cover temporary disability, does not cover the cost of medical care, we find we have, in the

fifteen years of operation, developed a very lop-sided situation which is of great concern to the Congress of the United States and to the American people today. We have six and a half million people drawing public assistance (poor relief, if you want to use a harsh term) on the basis of need and at a cost to the taxpayers of the country of two and a half billion dollars. At the depth of the depression in the days of W.P.A. and F.E.R.A. our expenditures for relief and work relief ran, as I recall, about two hundred and fifty or two hundred and seventy-five million dollars at the very peak. We are running today at a rate of more than the two hundred million dollars a month in a period of unprecedented prosperity. The fact is that there is a lot of human need in this country even in a period of prosperity which we could have averted if we had developed a contributory social insurance system under which the benefits are related to loss of income and, therefore, related to presumptive need. But, instead, we now have a situation where we have two million eight hundred thousand old folks drawing public assistance and only a million nine hundred thousand drawing old-age insurance benefits. If we had an adequate contributory social insurance system covering all the population, including the farmers and farm workers, and providing adequate benefits, we would not have these two million eight hundred thousand old people drawing old-age assistance on the basis of need. We have today a million and a half children being helped under this aid-to-dependent-children system. We have only six hundred and fifty thousand children receiving children's insurance benefits under this contributory social insurance system. So you see, the second line of defense has had to take over the major portion of the problem. The first line of defense has proved to be a Maginot Line and the Congress today is undertaking to rebuild and extend that first line of defense.

I might say that I favor a contributory social insurance system instead of a relief system not only for the reason I mentioned that relief does not fit in with our concept of everybody's paying his own way and receiving benefits as a matter of right without a showing of need, but because there is a definite relationship between the loss of income and benefits. Therefore, you have something objective to base your system

on and not something subject to whims of politicians or other groups who ask for this, that, or the other arbitrary amount, such as \$200 a month. There is also a relationship between contributions and benefits so that the financing of the system can be kept in line. The result is that we have a system that fits in with a dynamic, competitive economy that has as its essence differentials for effort. The person who works hardest, longest, with the greatest ability, will develop a higher wage, and the benefit that he will receive when that wage ceases will be related to the wage which he has been able to achieve by his individual effort. Of course, there should always be a basic element in the benefit that is paid, so that the low-wage earner gets a far larger portion of his wage loss than the high-wage earner. Nevertheless, the higher the wage, the greater the wage loss and there should be some differential as a recognition thereof. Otherwise, we abandon our concept of an economy that thrives on differentials.

Therefore, I am opposed to the Townsend movement in all of its manifestations. Some conservatives strangely enough are attracted to what may be called a Baby Townsend plan, but a baby can grow up and become a giant overnight, because the essence of the Townsend movement is a flat amount. Who is going to determine the flat amount? Is it going to stay at the level initially determined? I am confident there is no control in that sort of an approach, that it will not meet the true need realistically, and that it is alien to our form of economy.

Secondly, I am opposed to public assistance being the first line of defense.

Thirdly, I do not think union health and welfare plans are the answer by any means. I think they are going to be found quite disappointing as time goes on especially as regards pensions. I do not have time to discuss why I think so.

I think the veterans' pension movement is an illustration of our failure to meet this problem. The veterans grow old. They become disabled from causes other than combat. They need medical care. Since they are an influential group, they get what they need. I say the whole population should receive that sort of protection, and we cannot blame the veterans for seeking that protection from their government which has an obligation to provide it. But with an adequate contributory

insurance system we could bring about a better relationship between general contributory social insurance benefits and veterans' benefits and benefits provided under individual employer plans or industry-wide health and welfare plans.

I hope that I have made it clear that I am not proposing giving everybody something for nothing. I am not proposing that we pay people not to work. Nor am I proposing a redistribution of wealth. But I am proposing a redistribution of welfare in this country which the greatest nation, the richest nation on earth, can well afford. And I am proposing that this redistribution of welfare be accomplished through contributory social insurance which, as Winston Churchill has said, brings the magic of the averages to the rescue of the millions. And let me emphasize that all that contributory social insurance proposes to do is provide a minimum basic security upon which every American is encouraged to build a still higher standard of well-being for himself and his family through the well-known devices of individual savings, individual insurance and home ownership.

REMARKS BY THE CHAIRMAN

CHAIRMAN ANGELL: Thank you, Dr. Altmeyer.

The discussion of the paper by Dr. Altmeyer will be presented by Mr. Harry Waltner, who, like Mr. Day, is a representative of one of our greatest industrial companies. Mr. Waltner is Assistant Manager of the Insurance and Social Security Department of the Standard Oil Company of New Jersey. Mr. Waltner!

DISCUSSION: GOVERNMENT AND INDIVIDUAL SECURITY

HARRY G. WALTNER, JR.

Assistant Manager, Insurance and Social Security Department
Standard Oil Company (N. J.)

I FIND myself in general agreement with the broader statements which Dr. Altmeyer has made relative to this problem. I would say that his thinking and mine are quite consistent in supporting and advocating a sound contributory social insurance pension program for this country. I am quite in agreement that the public assistances should not be the first line of defense; certainly the insurance program should be. And I would agree that if it were made such, some of the problems with which we are faced would be alleviated.

I am not certain but that union welfare plans and other plans for group security may have a very proper place in the whole pattern of individual security. I would hope that what Dr. Altmeyer meant was that welfare plans were not the complete answer to individual security.

On the last point, with respect to medical care, I fear that we would part company.

* * * * *

Now, let us look at the broad objective for just a moment, because I think it contains an area of agreement between business and labor and students of the problem, to wit, there is a need to find mechanisms and devices for providing a fuller and better life. I think none of us could take exception to that goal. It is what we all want.

However, the areas of disagreement develop when we try to apply broad general statements of objectives to specific areas, and then endeavor to find agreement as to the best way in which to attain those objectives.

We could go through the various specific items which are presently under consideration to improve our social security program. Yes, many of the suggested "improvements" are intended to solve some of our problems. Many of them need a solution. If we could only come to agreement as to the proper solution!

In principle, much of what Mr. Kline has told you with respect to the problems of agriculture could be said with respect to social insurances. I think what we really want in a social insurance system

is one leg of a three-legged stool—a system which is reasonably adequate on the governmental level to provide a basic minimum layer of protection. This, coupled with group efforts to provide security through various devices which we currently have at our command and through individual initiative and individual savings and individual investment, will, taken together, present to all of our people and to each of them a most satisfactory solution to their varied demands and needs for individual security.

The real danger is that we may try to shift this entire responsibility to government. No, we may not do it consciously. If it is done, it will develop because we unconsciously shift this responsibility to government by promising, through our government, the satisfaction of all of our economic desires. Could I illustrate my concern by referring to an experience in my own life many years ago. Early in my married life, I was presented unexpectedly with a pair of twins. Of course, it was a great joy, but it was also quite a shock. I feel quite certain that when that event happened to me, if I had been assured that the government was going to take care of all the hospital, doctors' and specialists' bills, was going to provide the layettes or an appropriate cash allowance in lieu thereof, was going to supply a weekly allowance for each twin to supplement my earnings, and then would make available to me a low-cost apartment through a public housing facility which would be modest, but clean and efficient, at a very reasonable price—I feel quite certain that that big event in my life would not have had the same effect upon me.

I am not one who believes we can return to the situation that existed four score years ago. Certainly there are things that we can and should do. But our real concern should be that the steps we take in providing social insurance protection are steps that leave ample room for individual initiative and incentive to do the things that we as a people have done in the past.

I probably have already taken up my allotted time, but I want to point out one of the areas of disagreement discovered when we apply broad statements of desirable objectives to particular areas of action.

Dr. Altmeyer talked about governmental measures in the field of protecting individuals against the hazard of permanent disability. He proposes that the problem be solved by providing a universal system of disability insurance for all individuals covered under the Old-Age and Survivors Insurance Act.

There are those who question that that is the proper approach to meeting the real problem of permanent disability. According to the *New York Times* today, Dr. Howard Rusk, who is certainly a recognized authority on physical rehabilitation, told the United Nations

Social Committee yesterday that 90 per cent of physical disability cases can be rehabilitated.

Should we devote our funds to a program providing cash monthly indemnities to permanently disabled persons, or would we be better advised to pursue a course of expanding facilities for vocational rehabilitation?

Of course, we should first answer the question as to how we are going to divide up our available resources. There are some who think that the federal government has a bottomless pit out of which it can provide, with money borrowed or raised through taxes, the remedy for all ills. There are other demands made upon our national income, and a wise choice must be made as to the fields in which available funds are to be expended. An effort should be made to select that field or those fields which will produce the greatest and most satisfactory long-run results.

DISCUSSION: CURRENT ISSUES IN THE UNITED STATES

CHAIRMAN ANGELL: Three of our distinguished speakers have extended their apologies and regrets because they have had to leave for compelling reasons. It is especially interesting, perhaps, that Mr. Day, who spoke on employer-employee relations, had to leave to deal with an unexpected and urgent problem in employer-employee relations. Whether his own or somebody's else, I do not know. Unfortunately, his departure, followed by that of Dean Garrison, leaves one of our main fronts quite unprotected. I think we will simply have to declare warfare on that particular front off for this afternoon. For the remainder, I am now glad to throw the meeting open to discussion from the floor.

MR. JOHN S. STILLMAN: I am one of the loyal farmers Mr. Kline spoke about.

It seems to me that a representative either of the Department of Agriculture or of one of the organizations supporting the Brannan program should have been afforded an opportunity to put a statement into the record to give a balanced picture, because we all know the proceedings of these meetings are published in permanent form.

I feel the situation of the consumer was neglected in both the first and second points of discussion here today. The management relations people seem to gloss over the importance of the price, wage, profit and production aspect of their problem; and, likewise, I am afraid that Mr. Kline skipped over the consumer part of the problem, although Dean Carman mentioned it in passing. I am not an expert on the Brannan program, but I have made a slight study of it, and it seems to me the most important aspect of it relates to the perishable and nonstorable commodities. This was not made clear by either of the speakers. As I understand the Brannan program, its principle is much the same on storable grains; that is, support them at a figure (a rigid figure, I will admit) somewhere around 90 per cent, although parity will be determined on a different basis.

The point I wish to make is only that there is no provision in the present farm law on the basic farm support for perishable commodities. The Secretary of Agriculture has certain discretionary powers over crops that are in surplus supply. I come from Orange County, where the chief agriculture is dairy farming and the so-called green crops from the black dirt section (celery and onions), and the principle of the Brannan program as it affects us is that, while the farmer's income will be supported, consumers will be able to re-

ceive the surplus and receive the benefits of surplus in low prices. It also favors the productive and the efficient farmer, and also the smaller farmer rather than the large corporate farmer, for whom Mr. Kline was speaking, in that there is a certain price figured for every one of these crops that is similar to the parity price. If the market price is below the parity price, the farmer gets the difference between them, even if his onions were a lot better than the average price. He gets a greater break because he is able to get the same amount as the farmer who sold below parity price.

CHAIRMAN ANGELL: Mr. Kline, would you care to make any comment on that suggestion?

MR. KLINE: That isn't a suggestion; that's a number of suggestions.

First, with regard to whether this applies to perishables more than to other crops, there is one major farm organization, the Farmers' Union, which supports the Brannan plan, and that applies to everything. The Secretary is on record as saying it should apply to cotton, which is not perishable, and is, in fact, one of the least perishable commodities.

Second, with regard to the low prices for consumers, I treated that somewhat. I think that the low-price-to-the-consumer proposition is presented in the hope that the consumer will buy a bill of goods, and that it is a complete fallacy. I believe that sincerely.

This proposition of setting the level of price supports on specified commodities is the key. If that is made good, then of course the consumer not only has to pay up to that price, plus the cost of administration, but also has to pay the cost of the control of production and the uneconomic cost of squeezing the guy who knows how to put a quirk in a pig's tail.

I resent the suggestion that I speak for the corporation farmers, because that is not the truth. The Farm Bureau Federation is an organization comprised of 1,409,000 families that paid their dues last year. They paid dues to our outfit. They do not get paid to belong, they pay to belong. I outlined our views on the program on the basis of democratic processes as one of America's great democratic institutions. We speak for agriculture, and not for corporation farmers.

MR. SAHLMAN: My remarks are addressed to you, Mr. Kline. The wave of applause that followed the conclusion of your remarks proved to many of us that we admire your statesmanship. Your approach certainly was refreshingly different from that of many politicians who claim to represent the farmers.

I was also glad, Mr. Kline, that you thought that some of the price controls on agricultural commodities were unconscionably high. I am in agreement with you on that point, also.

But, you are in favor of controls. Now, if you are in favor of controls on the price of cotton, why are not you also in favor of controls on the price of cotton cloth? And if you are in favor of some sort of price support for wheat, why not also for bread? And if you want the price of hogs guaranteed, why not guarantee that price also to the producer of pork?

Conversely speaking, in time of war, when it was necessary to have price ceilings on commodities, why were you not in favor of a price ceiling on the price of cotton when we had one on the price of cotton cloth, and a price ceiling on the cost of wheat when we had one on the price of bread, and a price ceiling on the price of hogs when we had one on pork?

In my opinion, one of the cornerstones of our democracy—and both of us want to continue it—is an equal protection under the law. Is your Federation in favor of an equal protection under the law of all segments of our economy?

CHAIRMAN ANGELL: Thank you, Mr. Sahlman. I think that calls for a reply, which Mr. Kline has asked permission to make.

MR. KLINE: Again, the question is difficult to answer in a few words.

First, food is cheap in America because of the economic production of food. We have to take into consideration all the costs we have, which are very extraordinary in many cases. The price of the wheat in a loaf of bread is almost negligible, and the price of bread does not follow the price of wheat, as was demonstrated, as you probably know, in the more recent price experiences. The only way to gauge the price of food is on the basis of the hours of work it takes to buy it. Food in America is cheaper than in any other major country in the world. Even in Canada, which is a great exporting nation, you can buy 12 to 14 per cent less food with an hour's earnings than you can in America, and food is getting cheaper in America. The same diet that cost the workman 23 per cent of his income before the war costs him 19 per cent today.

The whole philosophy here is to recognize the situation into which agriculture gets in a relatively free price system, because its prices are the only ones that are relatively free; the prices of other commodities are not free. I gave you an illustration, but I can give you a better one.

Canning pears sold for \$110 a ton during the season before last, and you could sell all the pears you had. Last summer, they went down to \$30 a ton, and then went down further to \$15 a ton. But the cost of freight to get those pears to the market in that very same period rose materially.

We are in favor of trying to get as rational a degree of protection for commercial agriculture as there is for the rest of the economy, and

to get an agricultural program which compares reasonably with minimum wages, but not one which compares with the wages arrived at by collective bargaining, if you please.

Our philosophy is that we ought to use the free market. Agriculture finds itself at a rather distinct disadvantage when price levels fall. The whole philosophy here is to try to evolve a protective device which will maintain the freedom-of-choice system and still prevent agriculture from "going broke".

MRS. WALLACE: I would like to know where food is getting cheaper, as Mr. Kline says it is.

MR. KLINE: These are Bureau of Labor Statistics figures, and are related to hours of labor. Eggs sold in the corn belt for as low as 20 cents a dozen, and 18 cents a dozen to the farmer this last winter. The support price on eggs was 35 to 37 cents a dozen, and then it went off. Then it was 25 to 27 cents a dozen.

I am not talking about those prices; I am talking about the prices you pay in the grocery for eggs. But, mind you, in the hours of labor, you have to take cognizance of the inflation, of the 60-cent dollar. These 18- and 20-cent eggs that farmers sold are comparable to eggs at a penny apiece at the delivery point for the farmer (that's from the Midwest, and this past winter) and it's a matter of record.

These figures are from the Bureau of Labor Statistics, and I am not responsible for them. They are the best information available, and they are related to the hours of work it takes to buy food. Of course, if you take the price of a certain quality of lard or pork chops or pork loins or beef steak, and compare it with the price you paid before the war, then you get all out of commission, because you are not taking into consideration the change in the value of the dollar.

MR. WALTER M. WEIS: Dr. Altmeyer said at the beginning of his talk that there were a number of things we ought to agree on; and among others was a reasonable return on savings. That is something which no longer exists. The return on savings has gone down tremendously. Everything else has gone up. Our social security was based on a certain return. No matter what basis we start out with, when money does not buy as much, the social security system, just the same as personal savings, does not give us a proper protection. What is the remedy against what a lot of us feel is the unholy alliance between government and labor which means that annually, or perhaps semiannually, we have a general increase in the cost of labor?

DR. ALTMAYER: You asked me how to control wages. I am not in favor of controlling wages, frankly. I think that collective bargaining is the proper instrument for developing a reasonable wage level.

As regards investment, I think you misunderstood me. I did not say the government should guarantee a reasonable return on investment; I said that in a free economy the investor should be free to make such investments as appeal to him, and the government ought to provide a reasonable degree of protection, so far as the prospectus is concerned, so as to reduce the loss of investment. But the question of return on investment, as you know, in a free economy is dependent on supply and demand for capital.

I am not quite clear as to what your question along that line has to do with this question of social security, except the first point you made that in a period of increase in prices the benefit schedule provided in a law passed eleven years ago certainly needs revision. That is what the Congress of the United States is struggling with at this present moment! It is proposing to raise the benefits of those already retired by about 70 per cent, which is roughly the increase in the price level since 1939.

MR. WILLARD HAMILTON [Maplewood, New Jersey]: I want to make one comment, and only one, with respect to social security.

I believe ultimately we are going to come to a pay-as-you-go basis. Remember, this is what happens: employers and employees contribute, according to Dr. Altmeyer's statement. The money goes into the general treasury, and is spent, frequently, for undesirable objects. The result is that so far the income has much more than met the outlay. Presently, the outlay will exceed the income. The government will then be compelled to put an IOU in the account—a paper account—which means either the imposition of taxes on the whole body politic or the resort to the printing press, which has been done with disastrous results elsewhere, because the money is not in reserve.

The point that I especially wanted to emphasize was the fact that social security is more or less misleading in the assumption that a reserve is set up. It is a paper reserve. It is an IOU, in effect. And I do not think that is what the American people want to continue.

DR. ALTMAYER: Let me say a word. If you will leave your name and address with me, I will send you some material from the *Wall Street Journal*, from the Actuarial Society of America and from the Advisory Council to the Senate Finance Committee consisting of eminent business men and economists, all of whom came to a contrary conclusion than the one which you have just expressed.

MR. NAHUM I. STONE: In spite of the fact that two or more references have been made to the Brannan plan, I wish to ask a question of Mr. Kline on the subject.

Since Mr. Kline is in favor of price supports, why is he opposed to having the consumer get at least part relief? Today, the consumer is

taxed twice: first, as a taxpayer to provide the money for the price supports, and then as a consumer who pays a much higher price than he otherwise would pay, if there were no price supports.

Under the principle of the Brannan plan (although it does not apply to all agricultural products) the consumer would have relief at the grocery end, although he would still have to provide money as a taxpayer for the price supports. What is Mr. Kline's objection to that relief?

MR. KLINE: I want the consumer to get food as cheaply as possible, and to buy as much as possible, and to buy the best he can. Any proposition which sticks the consumer I am against.

I think this proposal that you suggest does not do what you say. As I see the fact of the matter, what it would do by setting high support prices for farmers would be to stick the taxpayer. And do not forget he is going to pay it—the consumer is going to pay it—everybody is going to pay it.

Take, for example, the guaranteed price of \$19 per hundredweight for hogs. They have been averaging \$15 or \$16, but the consumer is now going to pay \$19, plus the cost of administration. And if you get any more pork at all, then the price of hogs will go down in this free market of ours.

We are going to have a free market, as you suggest, so the consumer gets more relief. The price of hogs goes down 35 per cent; the price of hogs is \$10 a hundredweight, but the consumer still pays \$19, plus the cost of administration.

Then there is a new cost in it. That is the cost of controlling the big government involved. It is a very great danger to the two-party system in America, and I do not speak as a partisan, I speak as an American. This thing has in it far-reaching political significance.

I wish that I could go into the political implications of the development of programs outside the democratic processes by executive branches of government; but I do not have the time. However, I say to you that it is my conviction that if we live successfully with big government we shall have to decentralize the administration of the vast programs such as those which we have in the Department of Agriculture. And when we decentralize them, we shall have to decentralize personnel control. Otherwise, we are going to be working for the government one of these times, instead of the government working for us.

CHAIRMAN ANGELL: I am now caught on the other horn of my personal dilemma, because I am advised we have to adjourn from this room. I should like to thank our speakers very warmly both on your behalf and on behalf of the Academy for provoking and stimulating discussions. I declare the meeting adjourned.

PART III

AMERICAN DEMOCRACY AND THE WELFARE STATE

INTRODUCTION *

W. RANDOLPH BURGESS, *Presiding*

Chairman of the Executive Committee, National City Bank of New York
Member, Board of Directors, Academy of Political Science

AS we open this dinner meeting in the seventieth year of the Academy of Political Science, I know that many of you are thinking of our absent president, Lewis Douglas, who has returned to duty in London after recovery from a serious injury, and is performing there one of the finest jobs ever done by the United States Ambassador to the Court of St. James's. [Applause]

It would seem to me appropriate for this body to send him greetings, and I am not going to be content with asking, "May I speak for you?" I want to have a vote. All of you who are in favor of our sending our greetings to Lewis Douglas, please say "Aye"; any opposed? It is unanimous.

This large gathering is a tribute, I know, to the speakers who are to appear before you tonight, and an indication also of the interest that you have in the subject which is before us, perhaps as vital and timely a subject as ever has been discussed by this Academy.

The subject for the day's meeting—for this is simply the culmination of a full day of meetings—is "Freedom and the Expanding State", and for this evening's meeting the subject is "American Democracy and the Welfare State"—perhaps another way of saying the same thing. But the interesting part

* Opening remarks at the Dinner Session of the Semi-annual Meeting.

of that title is that it suggests a conflict between democracy and the welfare state.

I suppose if we were to detail it a little more, we would have to suggest that there was a threefold conflict in the objectives of policy of this country at the present time. First, we have to fight a cold war. That, in a way, is policy number one. Secondly, we are seeking greater welfare for our people in many avenues by unanimous consent, in other avenues where there is violent difference of opinion. Thirdly, we are seeking to preserve in this country a "free, dynamic, competitive economy". Those are not my words; they are words used by one of the speakers this afternoon who comes to us from the Social Security Administration in Washington.

We all agree on those three objectives. The problem is how to fit them together in the policy of one country—and we are not doing too well at it. The symbol of our failure, in my judgment, is the national budget, for a budget that is out of balance by five billion dollars at a period of the greatest prosperity this country has known for years is a budget that stands for loose thinking somewhere. [Applause]

We cannot have all of these objectives in full measure at the same time, or they will defeat each other. The budget is evidence of what has happened, because such an unbalanced budget undermines our capacity to fight the cold war, it undermines our capacity to provide for the people's welfare, and it undermines, certainly, our efforts to maintain a "free, dynamic, competitive economy".

We have tonight three speakers who are as able to discuss this subject as any we could find in the United States. In January 1949, in the halls of Congress, there was a sudden stir. Something unusual had happened, and those best able to know traced it down to the coming of a Lochinvar out of the West. The interesting thing was that he did not really come out of the West, although people thought he did; he came from Salem, Massachusetts, where he was born, and he went to Bowdoin, where he played football and debated and was Phi Beta Kappa. And then—General Eisenhower, you are partly responsible for him, because he came here, to Columbia, to study, and took his Master's degree. After wandering about some little time teaching in various institutions, he came back and took his doctor's

degree. So the responsibility is complete. [Laughter] Then he went to the University of Chicago, and over a period of years did an exceedingly competent job in analyzing labor statistics, unemployment, social security. He served several tours of duty in Washington, but established himself in that field as a man who is respected.

Then politics interested him, and in 1939 he became an alderman of the city of Chicago. There are many interesting stories about that, but I am not going to try to tell them, because I do not know them well enough.

At fifty years of age, in 1942, he enlisted as a private in the Marines. He went abroad, was wounded in combat, became a lieutenant colonel. And whatever else he may do, we take our hats off to a man who, at fifty years of age, goes through that experience. [Applause]

Then he defeated for the Senate the redoubtable Curley Brooks. [Applause] More than that, he has been the chairman of a Subcommittee on Monetary Policy of the Committee on Economic Report. As one of the victims who was called before that Committee, I want to say that Paul Douglas gave a fair hearing, a careful hearing, and a penetrating hearing, on that subject. The small document that has been published as the report of that Committee is, in my judgment, one of the landmarks in the understanding of the monetary policy of this country, and has had an important influence already in shaping our monetary policy.

In the last few days you saw that Senator Douglas had the courage, in facing a bill on public works, to say, "This is pork. This must be cut." And that takes courage. [Applause]

I do not know whether any of you read in the *Herald Tribune* for April 19, in the column written by Mr. McConnell, that it would take about a five-million-dollar appropriation for Chicago to build a canal that would connect the city with the Mississippi. Senator Douglas went home and told his people in Chicago that, while he believed in that proposal, it was not timely to ask for it now, and he would not vote for it now.

I have a great pleasure in introducing to you Senator Paul H. Douglas. [Applause]

FREEDOM AND THE DIFFUSION OF POWER

PAUL H. DOUGLAS

United States Senator from Illinois

I

I SHOULD like to take two texts for my remarks tonight. The first is the celebrated dictum of Lord Acton: "All power corrupts and absolute power corrupts absolutely." The second is a more homely aphorism of Benjamin Franklin from *Poor Richard's Almanac*: "It is hard for an empty sack to stand upright." These two remarks correctly chronicle the abuse which comes from the possession of excessive power and the loss of self-reliance and of personal integrity which follows when men are stripped of all power. These two opposites are sources of evil which we must seek to remedy in our political and economic life as well as in our personal careers. They point to the necessity of striving for a reconciliation under which no one shall have so much power as to be able to oppress others while all should have enough power to feel moderately secure and protected. This, as I conceive it, is one of the tasks of politics as it is that of ethics, and is necessary for true freedom to be established.

That the possession of excessive power undermines the characters of those who exercise it should be one of the best-established facts of history. It was well shown by Plutarch in his lives of those two conquerors, Alexander and Caesar, where we see how the natural generosity which characterized both of these men was replaced by cruelty and caprice once great power was obtained. Even Augustus, who was reputed to be a just ruler, broke the arm of a slave who was slow to do his bidding and approved crucifixion as the common penalty for those who seriously defied the Roman will. The memoirs of the Comte de Saint-Simon of life at the court of Louis XIV and Louis XV are full of examples of how absolute power breeds sensuality, cruelty and callousness. In modern times, Napoleon, Hitler, Mussolini and Stalin have all been further illustrations of this most striking fact.

Part of this abuse of power has come from the fact that it has been the vulgar and the brutal who have in the main sought it. Those who have conquered it have therefore been all too often those who would abuse it once possessed. For the saints of mankind have never sought power for itself. St. Francis, John Woolman and Jane Addams sought only to win men's hearts by lives of active love and service but not to exercise temporal dominion over them. This spirit was well expressed by the Quaker mystic, James Naylor, when he wrote:

There is a spirit which I feel that delights to do no evil nor to revenge any wrong but delights to endure all things in hope to enjoy its own in the end. Its hope is to outlive all wrath and contention and to weary out all exaltation and cruelty. . . . As it bears no evil in itself, so it conceives none in thoughts to any other. If it be betrayed, it bears it, for its ground and spring is the mercies and forgiveness of God. Its crown is meekness, its life is everlasting love unfeigned; and takes its kingdom with entreaty and not with contention, and keeps it by lowliness of mind.

Men of that type do not seek to become military conquerors, kings, heads of huge corporations, labor leaders, or even United States Senators. They emphatically do not wish to sit in the driver's seat.

But it is not merely a reverse process of selection which leads to the abuse of power. Power also often falls passively by inheritance or gift into the laps of men who have not themselves striven for it. If it is known in advance that this is likely to happen, the very youth of these men is likely to be poisoned by flattery and by an absence of discipline and criticism which makes it almost impossible for them later to practice the personal self-restraint or possess the sympathetic insight into the lives of the weak and the poor which is needed if they are to exercise their power in the interests of society as a whole. The record of hereditary monarchs and of most children and grandchildren of American millionaires is a melancholy confirmation of this fact. Nor can these dangers be offset, as their parents so frequently think they can, by providing them with wise education in their youth. Aristotle could not save Alexander nor Seneca Nero. So powerful and subtle is the exercise of power

that there are few who can resist the temptations to personal conceit and pride, sexual license, and cruelty which it inevitably engenders. Here and there an Akhenaten, born to the purple, may strive to govern his domain by the principles of love, but power, like time, will ultimately bear all of its sons away.

This is further strikingly shown by the general experience with reformers who originally seek absolute power in order to carry out purposes which they believe to be benign. Oliver Cromwell believed himself to be a sturdy defender of freedom of conscience and nobly defended the cause of the people against the oppression of the monarchy. But once in power, he dissolved Parliament, ruled as a severe dictator in England and practiced barbaric cruelties upon the Irish, which, despite the praise of Milton, still embitter the relations of people to this very day. Robespierre and Saint-Just were men of integrity who sincerely believed that they alone represented the true will of the people. Acting in this belief, they ruthlessly killed hundreds of equally sincere men and women for narrow deviations from their policy. The French Revolution which began in an enthusiasm for the rights of man, ended in a wholesale blood bath, with all the deterioration in the characters of its participants which Anatole France has chronicled in *The Gods Are Athirst*.

In our own days, we have witnessed the terrors practiced by Russian communism and by its followers. The early Bolsheviks probably believed from 1905 to 1917 that they were making great personal sacrifices for the good of the Russian people, and for the overthrow of a brutal tyranny. But once in power they ruled with a ruthless hand. Opponents were not only suppressed but shot wholesale. The penalty for guilt by association was not slander, as in this country, but death, and the foremost intellectual defender of the use of terror was no other than Trotsky himself, who later perished from the very tactics which he had both preached and practiced. Having killed non-Bolsheviks by the hundreds of thousands, and indeed probably by the millions, they turned upon each other in their struggle for power. Incessant and terrible purges have followed under which the persecutors of today become the persecuted of tomorrow. Having abolished opposing parties, free elections and freedom of discussion, no peaceful way of changing govern-

ments is permitted. Those who want fundamental change can proceed only through conspiracy and revolution. Knowing this, the ruling clique is quick to stamp out dissent by blood and terror. In this unending process of incessant blood baths, the welfare of the people is ignored and power is sought for itself, with all the degradation which that brings.

It is frequently said that this gross degeneration has come only with Stalin and that it did not exist under Lenin. But an incident related by Angelica Balabanoff shows how deeply corroded Lenin's character had quickly become by the use of power. Madame Balabanoff discovered that the Bolsheviks were using *agents provocateurs* to entice non-Communists into opposition to the Bolsheviks and then shooting wholesale the men and women who had been thus enticed. She went to Moscow to protest to Lenin against these tactics which she felt sure he would stop, once he knew what was happening. Lenin heard her through and then cynically remarked, "Comrade Angelica, what use has life made of you?" The terror continued, and in protest Madame Balabanoff left Russia and the Communist party. So much for the corruption of power.

II

But I have said that my second text is Franklin's aphorism: "It is hard for an empty sack to stand upright." This, too, is one of the best-established facts of human history, that the complete absence of power degrades men. Among historians, perhaps the most timeless account of the manner in which people without power become degraded is contained in Book VIII of *Thucydides*. Though he is there concerned with what happened to the people of Athens under the rule of the Council of Thirty, his words could have been written for this morning's newspaper. Thucydides writes—and I give you a somewhat lengthy quotation which I hope may be of interest:

The authors of the revolution fully meant to retain the new government in their own hands. The popular assembly and the council of 500 were still convoked; but nothing was brought before them of which the conspirators had not approved; the speakers were of their party and the things to be said had been all arranged by them beforehand. No one any longer raised

his voice against them; for the citizens were afraid when they saw the strength of the conspiracy, and if anyone did utter a word, he was put out of the way in some convenient manner. No search was made for the assassins; and though there might be a suspicion, no one was brought to trial; the people were so depressed and afraid that he who escaped violence thought himself fortunate even though he had never said a word. Their minds were cowed by the supposed number of the conspirators, which they greatly exaggerated, having no means of discovering the truth, since the size of the city prevented them from knowing one another. For the same reason a man could not defend himself against a plot, because he was unable to express his sorrow or indignation to another; for he could not make a confidant of a stranger, and he could not trust his acquaintance. The members of the popular party all approached one another with suspicion; everyone was supposed to have a hand in what was going on. Some were concerned whom no one would ever have thought likely to turn oligarchs; their adhesion created the worst mistrust among the multitude, and by making it impossible for them to rely upon one another, greatly contributed to the security of the few.

This same theme appears with monotonous regularity throughout all the chapters in which Gibbon describes the decline and fall of the Roman Empire. It is an unbroken account of the rot which devoured it when the weapons of defense were vested in men whose sole loyalty was to the few, when the tools of production fell into the hands of a few, and when previously free forums became echo chambers resounding with flattery for the few.

The theme is repeated in part by historians who have chronicled the life of the feudal ages. It may have been the proud boast of the feudal ages that it gave security and status to men and freed them from the perils of strife and anarchy. But it did so at the expense of stifling the creative impulse of all men, except the sovereign few on top, or the handful of artists engaged to memorialize the ruling lords. The mass of serfs who supported the feudal order had no right of initiative, nor did they have the means by which they could gain that right. Having neither political nor economic freedom, they were as wax held under a hot seal, to receive the impress of the lord who alone had the right to use the seal. If a serf crossed the will of

his feudal lord, then the latter, in his capacity as judge, could, without regard to the justice of the case, order harsh punishment for the serf. If the Lord of the Manor took a fancy to the wives and daughters of those under him, it was almost impossible to resist him, however odious his person might be. If he warred with rival nobles, he could impress his serfs into his forces and carry them away to battle and to death. There were, it is true, no forgotten men in the feudal order. Neither were there very many men who could call their souls their own. In that epoch as in our own, men without power, by a paradox of the human spirit, became the most brutish of all. And in the long night of feudalism, the only surcease for brutes was drunkenness, debauchery and superstition.

Nor are the historians alone in bringing the story of corruption through weakness to our attention. In the novels of Charles Dickens, for example, a glaring light is brought to bear on this identical theme. In the host of characters that march through his pages, the ones who stand out in our memory are those who had no power whatsoever to untangle themselves from the web of social and economic forces that held them captive. All they could do was to plot and connive and dream of a better fate that always eluded them, while, meanwhile, they sank deeper and deeper into the ooze about them. What is Uriah Heep except a portrait of a man without power who yet seeks it by a contemptible and false humility? And what is the tragic-comic character of Micawber except the same man, equipped this time with a talent for grandiloquence—like a United States Senator—and with a capacity to waste away his life in dreams and Great Expectations? (Applause)

In the body of American literature, those same characters appear, denuded of any of Dickens' sentiment and laughter. But our Steinbecks, Caldwelles and Faulkners agree with him that economic and political weakness, as it is experienced in the life of any individual, exerts an almost irresistible pressure in the direction of his moral degradation as well. Any one who has passed through a "Company town" grouped around a single industry or mine shaft—or any one who has passed through an American slum, or through some of the rural regions of the South and Southwest—can add massive and particular footnotes to all the foregoing.

III

With the words of Lord Acton and Benjamin Franklin in mind, I want to turn more directly to the concentration of economic and political power in the United States. We are caught in this area between a cross fire. Those who possess concentrated economic power busily denounce the concentration of political power as though it were the primary, and indeed the only, evil. On the other hand, those who hold great political power in their hands point the finger of alarm only at those who wield great economic power. In human fashion, each sees the evil as being located elsewhere. That there is high concentration of economic power is seen from the fact that the 113 largest manufacturing companies, each with assets in excess of 100 million dollars, in 1947 owned 46 per cent of all the capital assets for manufacturing, and in thirteen important manufacturing industries, four companies controlled over 60 per cent of the production.¹ In six more important industries, control amounting to over 60 per cent was exercised by six companies.² To all this should be added the relative concentration in railroads, public utilities and finance. Moreover, even with diffused ownership, inner control over these giant corporations is commonly fairly tight and almost impregnable, and interconnections between industrial, utility and financial giants are real and pervasive. Moreover, in most of the heavy industries, the big firms fix the price and the smaller firms follow suit, so that the virtues of competitive pricing, so deservedly praised by economists and others, have largely vanished from these industries.

When we turn to government, we find, of course, increasing concentration. Instead of the half-billion dollars a year or the 2½ per cent of the national income which the federal government spent a half-century ago, it is now spending 43 billions or 19 per cent of the net national income. In addition, its indirect control over the economic life of the nation has enormously increased during this period. Those who control the government may be only temporary stewards of the public will but,

¹ Federal Trade Commission, *The Concentration of Productive Facilities*, 1947, pp. 14, 17. The thirteen industries were aluminum, tinware, linoleum, copper, cigarettes, distilled liquors, plumbing equipment, rubber tires, office machines, motor vehicles, biscuits, agricultural machinery, and meat products.

² *Ibid.*, pp. 17-18.

while they are clothed with their little brief authority, they can cut a wide swath.

I do not associate myself with those who raise the false charge of "statism" when they seek to describe the character of our governmental efforts. The size of that effort is not, in my judgment, an evil genie conjured up out of some sorcerer's lamp by dark figures of conspiracy and subversion. It is, in the main, the natural result of certain social forces which have created the necessity for its use.

1. In the first place, as the extent of the market widened and became national, it became evident that regulation of that market could not be effective on local and state lines. This early became evident in the case of the railways and of anti-trust legislation. Theodore Roosevelt saw it to be true for pure foods and drugs. Banking reformers like Carter Glass, the predecessor and friend of the Senator from Virginia, realized forty years ago that federal action was needed for financial stability, and twenty years later the scandals connected with the issuance of securities upon a national scale called for a national securities and exchange act. Since the air waves are a continuum and know nothing of state boundaries, regulation of radio, for example, had to be upon a national scale.

The long fight against child labor showed that if action against it was confined to the individual states, some states would hold back, and then real or feared competition given them would hold back other states from doing that which their citizens in their hearts desired. Slowly it was realized that only action on a national scale could establish approved minimum standards within a market which had already become national. The same logic led to the fixation of basic minimum wages and a basic work week for industries in and producing for interstate commerce.

All too often those who have opposed national action in such matters have done so either consciously or unconsciously because they did not want any action at all and realized that state action either would not be forthcoming or would be incomplete.

2. A second powerful force leading to increased federal action has been the need to prevent great industrial depressions and to enable our economy to enjoy a normal and relatively

steady growth. As I have said, this was the reason for the establishment of the Federal Reserve System in 1914 and for its strengthening in 1935. It was the cause for the creation of the R.F.C., for our public works program, in the period of depression, for the federal guarantee of bank deposits, for the various stimulants to housing (primarily confined to the upper income half or third of our population) and for much of our farm program. It was one of the reasons which led to our establishing a system of unemployment insurance. Some of the details of this program may be unsound, but in the main they constitute a protection against a cumulative breakdown of purchasing power, production and employment such as occurred from 1929 on.

If there are any who still question the propriety of the purposes of these actions, may I refer them to the preamble to our Constitution which in 1787 laid down as one of the six basic purposes of the new Republic the insurance of "domestic tranquillity". This tranquillity can be threatened not only by criminal mobs or secret plotting, but by a widespread breakdown of production and employment. To protect its own life as well as to protect its citizens, democratic government has the right to deal with these issues.

3. A third reason for the development of federal powers has been the desire to fulfill the twice repeated pledge of the Constitution that our government should "promote the general welfare". I shall not argue this issue at length tonight since I did so some months back with my colleague, Senator Byrd, through the columns of the *New York Times*. I will say only that, in my judgment, the promotion of human welfare is a legitimate purpose of government and that it is precisely this which Lincoln meant when he said at Gettysburg that ours was a government not only *of* and *by*, but also *for* the people. The only two questions which can be raised in this connection would seem to be these: namely, does the activity in question really increase the sum total of human welfare and could it be better performed by individuals, by voluntary groups, or by state and local governments rather than by the federal government, and can the costs of the activity be afforded within the limits of national and governmental income?

IV

One phase of human welfare with which government should properly concern itself is to help prevent these very concentrations of power of which I have spoken. It is in the nature of power to be cumulative, because power tends to reach out to try to seize more power. When one group holds a large quantity of power, and another group only a small quantity of power, then those who hold the large quantity of power will permit the other group to enjoy certain privileges only at the expense of giving up some of the small quantity of power which they have.

Therefore, power is cumulative. It tends to snowball. And the effect of an excessive massing of power on the one hand is an excessive deprivation of power on the other, should the government be idle.

In his early days, the late Justice Oliver Wendell Holmes believed the government should stand aloof from this process, and his early anti-trust decisions were based upon the belief that it was one of the rights of power to accumulate more power, if it wished. But I think that leads to very evil consequences for society, and that it is proper for the state at such times to step in and place limits, in the interest of social well-being, upon the amounts of power which particular individuals or groups may obtain.

That, to my mind, is one of the vital reasons for the anti-trust laws which justify them, and one of the reasons for the Wagner Act, in which I believe. Prior to the Wagner Act, men had the legal right to join unions, but employers had the legal right to fire them if they did, and in large areas of this country men could exercise their legal right to join unions only at the expense of losing their jobs. So great was their need for jobs, that millions of men who in their hearts wanted to join unions nevertheless felt restrained from doing so. The Wagner Act merely provided that what was the legal right of the worker, to join the union, should also become an economic right, and that his employer should not discharge him, or discipline him, for joining a union or being active in its affairs.

The second principle, of course, is that if the majority of the workers in a free and fair election choose to be represented by a

given bargaining organization, that given organization and the employer should sit down and try to reach an agreement. They are not being compelled to reach an agreement; they are merely compelled to try, in good faith, to reach an agreement.

I know there is a great deal said about the lack of democracy in labor unions. There are a great many labor unions which are not democratic, where there is autocratic power exercised by the leaders. On the whole, however, taking things en masse, the unions have aided masses of individual workers who formerly felt weak and helpless in dealing with their foremen and with their employers. In sections of Pennsylvania, for example, workers formerly did not dare to go to a meeting of the Democratic party. The unions have enabled them to become free, functioning citizens, and to that degree have given them a protection which they did not have before.

The fourth great factor which has built up the power of the state, and is perhaps the greatest force of all, has been the existence of war. We long ago learned that we cannot wage war by levies upon individual states for men and material. That was abundantly demonstrated in the Revolutionary War, and should have been relearned in the War of 1812 and the Civil War: that great national wars require national armies and national mobilization; and total wars require total mobilization. And more and more the wars of modern times are becoming total wars.

The budget which is so out of hand devotes 76 per cent of its total either for expenditures for past wars or for better preparation against future wars. That is the primary reason for the unbalanced budget; although I do not think it is an excuse for unbalancing the budget. It is the primary source of federal expense, and not the $2\frac{1}{2}$ billion dollars (or 6 per cent of the total) which is spent for welfare purposes.

It is war, particularly the threat of war, with an enemy which wages its struggle not merely on the battlefield but inside the camps of its opponents—it is war which confronts us with this tragic dilemma with which we all struggle; namely, how to protect ourselves from external danger and internal subversion and yet preserve the fundamental freedoms of the individual in which we deeply believe.

In the face of all this—big government, big business, great

concentrations of power, and yet the desire of the human heart for freedom—what is the rôle of an individual, what is the rôle of society in a period like that? Many of us, I am sure, feel like a character in one of A. E. Housman's poems, *Shropshire Lad*, in which he represented a plowman standing "Lonely and afraid, in a world I never made."

We have preserved an uneasy balance of power in these last fifteen years because the forces which have controlled big government and the forces which have controlled big business have in the main been different, and they have stimulated each other, and have kept each other, in part, from abusing the power. Each has been somewhat afraid of the other. Each has been somewhat on its good behavior. They have been in the main different groups, although from time to time there have been flirtation and interlocking of directors.

Suppose one group were able to take power over the other. Suppose either the forces of big business were to take over big government and control it directly, or the forces of big government were to take over the forces of big business and control it directly. In Germany—and in some degree in Italy—we had the first development. I do not mean to say that fascism was solely the product of the attempt of big business to take over government. It was more subtle than that. It was in part the movement of the unsuccessful of all classes. But certainly one element was the attempt on the part of big industries of Italy and Germany to create a government which they could control; and the fate of Italy and of Germany should deter anyone who loves this country well but who has similar intentions for it.

If big business controls big government, that is a type of fascism and it is totalitarianism. Men will not be free, because the same group that controls the jobs will control the government, and we will have servile people on the one hand and people carried away with power on the other.

But suppose, as in England, government were to take over and own industry? Now, the English have a high sense of civil liberties—probably a higher sense of civil liberties than any people in the world—and they are still preserving those civil liberties because the government controls only about 20 per cent of British industry. But suppose it were to own 80 per cent of British industry, and all the jobs, political and economic, were

to be in the hands of one set of men. Would they be tolerant toward their political opponents, or would they use their power to crush and to deter?

Therefore, it seems to me that we must at all costs prevent one group or the other from taking over its opposite number, and that we must diffuse power, break up power and distribute power, so that all may have enough power to be secure and yet none may have so much power as to be able to oppress others. That is a large task, but I would submit that it means both a decentralization of economic power and a decentralization of political power.

In the case of our economic life, it means that our farmers, who have been the backbone of our democracy—the 160-acre farm, the great Middle West, which we confidently believe has furnished to this country the sound, independent group of men who make their living with their hands and yet have property at the same time—must be preserved on a family basis and not be allowed to fall into small groups with a few big plantation owners and large numbers of tenants or farm laborers.

If we are to hold onto the small farm, if we are to preserve our democracy, we must keep our agriculture so that families can own property in family units, get their living, receiving not merely interest, but owning that upon which they work.

Fortunately, we may expect that as the national income rises a larger and larger proportion of men's income will be used for services; and the services tend to be decentralized, they tend to be carried on on a small scale, except when you deal with such gigantic institutions as Columbia, Harvard, New York University and our state universities.

I feel very intensely on this subject. If manufacturing becomes more and more concentrated, it will be more and more difficult for us to have independent, sturdy business men, and independent, sturdy workers. We will have power aggregations which may destroy the country in the process.

These price combines, these huge concerns, are not so efficient as people think. The studies of the Federal Trade Commission tend to indicate that the medium-sized firm has lower production cost, is closer to its problems, and, if it did not have to deal with the giants, it could not only survive but grow. But the mere fact of facing huge aggregations puts them at a disadvan-

tage. They are afraid to use competitive pricing, because they are afraid if they do they will be blotted out by the giants. They take the system of prices laid down to them by the price leader and meekly follow along.

If the business men of this country want to preserve the democratic system of capitalism, they should become earnest supporters of the anti-trust laws. That does not seem to be very popular [laughter and applause] but I assure you that the anti-trust laws are designed to clear away the big trees so that the small trees can spring up.

We need to draw a distinction between the advantages of large-scale production which can be realized within an individual establishment, between integration of industry (which is quite all right), and the horizontal combining together of similar plants under the same ownership which does not have productive advantages but which has in the main monopoly advantages, and where the marketing advantages of one firm are the disadvantages of another.

I hope that when the appropriations bills come up in Congress the business interests of the country descend upon us en masse and ask for greatly increased appropriations for the Antitrust Division of the Department of Justice. [Applause]

I think also (though I approach the subject with some timidity) that we need to devise ways of making capital and credit more accessible for smaller firms. Your life insurance companies, and some of your banks, are making good ventures in this direction. I hope you continue with it.

I would suggest that we may have a precedent, in the case of the banks, in the coöperative banks for agriculture which may apply here—that we might be able to set up coöperative banks for small business, grub-staked originally with contributions from private finance and from the government, which would make loans to small business and would be owned by small business, with the government loans ultimately retired with interest, and the control passing into the hands of the small business coöperatives.

Now, in the field of government, if we could only have peace, if we could only be able to get this military budget of 20 billion dollars down to 10 billion dollars, then we could realize the dream of both Senator Byrd and myself: a reduction in taxes,

balancing the budget and—though we might not go along on this one so much, Senator—an expansion of expenditures for welfare purposes.

We might be able to realize all of this, but it is the fear of war which prevents that. Defense is more important than opulence. Freedom is more important than peace.

I would suggest that one way we could make people less enthusiastic for appropriations from the public purse is to make them pay a portion of the cost. I have noticed that my friends along the Mississippi River are very strong for levees, and I sometimes wondered why that was so. It may possibly be connected with the fact that the levees, which are to be built along the Mississippi at such great cost, change thousands of acres from the condition of swampland into fertile plantation land, for which the owners of the land make no payment. While these groups tend to be opposed to public power projects on which both the interest and principal are paid, and look with disfavor on irrigation projects on which the principal is paid but not the interest, they greet with great enthusiasm these levee projects. Perhaps their enthusiasm for this type of federal expenditure might be diminished somewhat if at least half of both the interest and capital on this type of project were to be paid.

I would suggest, finally, that many of the activities which the federal government should initiate need not always be administered by the federal government. We could have decentralized administration, with the government financing part of the cost, with the responsibility lodged in states and localities and in increasing measure in volunteer organizations outside of government.

That is one of the needs of life today for what I believe Franklin Giddings and John W. Burgess used to talk when I studied under them a third of a century ago—namely, that we should have constituent societies between the individual and the state which can perform very vital functions in the field of insurance, in the field of health, and in the field of the distribution of charity. [Applause]

REMARKS BY THE CHAIRMAN

CHAIRMAN BURGESS: Senator Douglas, we are most appreciative of your philosophical analysis of this problem. You possibly may have detected that there may be a few in the audience who did not agree 100 per cent with everything you said [applause], but you have lived up to your reputation of a "stirrer-upper". We received the barbs, I know, in the good faith that you sent them, and you gave us food for thought.

Virginia, the mother of statesmen, has sent us tonight one who in every respect lives up to the great tradition, who by his character and personality and ability has earned himself a place as one of the great statesmen of Virginia and of the United States.

You all know him, because he has addressed this Academy before. I want to remind you of one or two of the facts about his career. He was born in West Virginia, then went to school in Winchester, Virginia, and at fifteen became a newspaper—I was going to say a newspaperman, but I guess he was a newspaperboy—on the *Winchester Star*. He is now the publisher of the *Winchester Star* and the *Harrisonburg Daily News Record*. But perhaps even more important, he is an apple-grower, and a good apple-grower, and a grower of peaches, and a business man through various ventures.

He entered the Virginia legislature (as all Virginia statesmen do at the appropriate time) and served for ten years, taking a particular interest in establishing a good highway program for the state.

He was Governor of Virginia from 1926 to 1930. In 1933 he was appointed United States Senator, and is now serving his third elected term. You may have heard that he is chairman of a committee called the Committee on Nonessential Expenditures. [Applause] There was a certain senator, a freshman senator, who thought he could take the Senator from Virginia for a ride on that Committee. There was a ride, but it wasn't the Senator from Virginia who took the ride. [Laughter]

Senator Byrd is a leader in setting forth government fiscal policy. I call on one of our great statesmen, Senator Harry F. Byrd of Virginia.

[The audience rose and applauded.]

FREE ENTERPRISE SYSTEM VS. SOCIALISM

HARRY F. BYRD

United States Senator from Virginia

I AM delighted to be here again. I spoke to you thirteen years ago on the subject of public spending. Mr. Morgenthau, then Secretary of the Treasury, was on the platform with me. We were then spending seven billion dollars annually, which many of us thought was too much. I am back again in 1950, thirteen years later, to speak somewhat along the same lines, while we are spending forty-four billion dollars. Evidently what Mark Twain said about the weather applies also to public spending: "People talk about it, but they don't do anything."

I am delighted to speak with my very good friend, Senator Douglas, for whom I have high admiration. You shall see, as we go along, that we do not agree on some matters [laughter], but I want to assure you that it is an honest disagreement on both sides. I respect him, and I hope that he respects me, although we are about as far apart on certain matters as the two poles—and not only on the question of what he regards as non-essential expenditures. In fact, I am chairman of the committee that has that name—and a good many members of the Senate do not think any expenditure is nonessential.

My subject today is the "Free Enterprise System vs. Socialism", and I was pleased with the introduction given to me, because it proves I am a small-business man. I am not connected with one of those big, bloated business corporations that we hear so much about. Incidentally, I think there is no evil in bigness, provided bigness does not abuse its privileges. [Applause] I think America excels all the rest of the world in industrial mass production because we have big industrial operations in this land.

Today, ladies and gentlemen, I think I can say accurately that America stands at the crossroads. We can continue to drift on the road to state socialism, and ultimate disaster, or we

can strengthen and revitalize the free enterprise system, which has made America the greatest of all nations.

There are those who believe that socialism can be turned off and on like a spigot. There are those who profess to believe we can be 40 per cent socialistic and 60 per cent free. The experience of all countries tells us that is not true. We cannot start a new kind of government, involving the 150 million people in this country, and say, "Stop here. Stop there." There are some people who think that a little socialism is a good thing, but before we know it socialism can become so entrenched it is impossible to retreat.

The battle lines are being drawn. I doubt that issues—domestic issues—have ever been more sharply divided since the time those great men of the past laid out the proper province of this government that has proved to be the greatest and most successful in all the world.

Many of our leaders are warning us as to what may come unless we change our course. Some call it collectivism, some call it statism, and some call it the welfare state, but let us not be technical as to the name of this new "ism". I say that if these new principles of government injure or destroy the free enterprise system, then it is "ruinism". That word may not be in the dictionary, but I think it is a descriptive word, and I feel, therefore, I can use it in this connection.

Of course, in times such as these there is a good deal of name-calling back and forth. I heard not long ago the new definition of a reactionary—a man who believes the budget can and should be balanced. [Laughter]

And even I, "a Democrat from Virginia", have been charged in these days of stress with voting with the Republicans. We have many statisticians and analysts in Washington. How they employ their time, or what they do, I do not know; but they get out reports every now and then, and frequently on the senators. They say that I voted 66 per cent with the Republicans, and 34 per cent with the Democrats.

My answer to that is this: My name begins with a "B". As the roll is called alphabetically, I vote first, and the Republicans vote with me. [Applause]

I can say with all sincerity that when these great legislative issues come before the Senate of the United States the test I

apply to them is not whether it is of Democratic origin or of Republican origin, but "Is it best for the United States of America?" [Applause]

I have no apologies to make for standing shoulder to shoulder with that Republican leader, Senator Taft, when the effort was made to repeal the Taft-Hartley Act, because I believe the repeal of that Act in the political atmosphere in which that demand was made by the President of the United States would have been the green light to arrogant labor leaders to do what they pleased in this country—stop our trains, stop our mines [applause], stop the very necessities of our existence—unless we yielded to their demands.

It was not so much the question of the language and the contents of the Taft-Hartley Act; it was a question whether certain labor leaders were going to override an Act that had been overwhelmingly passed by the Congress of the United States. And I am proud of the fact that I was one of sixteen Southern Democratic Senators who voted with the Republicans. That is why this Act still remains on the statute books. [Applause] We Southerners are sometimes criticized, but every now and then we perform a useful purpose. [Laughter] I think we did in that instance.

I simply want to say one thing about the Wagner Act to which my distinguished colleague referred. I voted against the Wagner Act. It so happens that only three United States Senators remain in the Senate who voted against the Wagner Act. I am one. Senator Vandenberg is another. And Senator Tydings is the third.

I voted against the Wagner Act because it gave special privileges to certain classes of our people. Neither do I believe in special privileges to industry. If certain classes have special privileges, you cannot correct that wrong by committing another wrong. I think that time has proved that the Wagner Act granted special privileges—an employer could not even talk to his employees in a free country; the labor unions were exempt from the Corrupt Practices Act while others were subject to penalties if, in political campaigns, they did things that were not right. There was coercion from the government of the United States to force contracts and to force organization, which I do not believe in. I believe in collective

bargaining. I believe in the unions having every possible facility to organize. But I do not believe that the government should coerce any more than the employers should coerce.

That is all beside the point, however, and I would not have referred to it, except for the fact that my distinguished colleague did. [Laughter]

I never thought that in my day I would be called upon to defend the principles of our American constitutional democracy under which we have become the greatest nation in all the world. I can see a great deal wrong with the administration of these principles, but the principles themselves have proved their wisdom. They have been tried and tested in many great emergencies in the life of this nation.

The free enterprise system operating in the fullest freedoms of democracy stimulates individual initiative to the development and production of more of what we need at a cost we can more easily afford from the earnings of our endeavor. I am for that.

Among the cardinal characteristics of socialism are government subsidies with controls and government dole with regimentation. I am against that.

The welfare state is that state of twilight in which the glow of democratic freedoms is fading beyond the horizon leaving us to be swallowed up in the abysmal blackness of socialism or worse.

As to where we stand today, an independent study recently transmitted to the Congressional Joint Committee on the Economic Report by the President's Council of Economic Advisers says our economy in the United States is "no longer free and competitive."

The membership of the Academy of Political Science needs no definition of the free enterprise system from me. And I do not concede that a system which, in the short historical span of 160 years, has brought this nation from the impotency of thirteen ununited colonies to its present position of world leadership should be scrapped for socialism in welfare state clothing which never brought greatness, happiness or security to any nation. [Applause]

On the contrary it is incumbent upon those who are advocating those things generally referred to as the "welfare state" to

show why they will not destroy a way of life which has developed individual freedoms under constitutional democracy to the fullest measure ever known to man; which is always ready to supply the vital spark when it is needed to explode mediocrity into genius; which never fails to supply the incentive for those at the bottom to rise to the top.

If the world's experience means anything, it has proved no other system can be developed as a substitute for our marvelous mass-production techniques which in peace have raised our standard of living to heights no other nation can achieve and which have been the determining factor in our victories in two world wars.

I will take the political risk of paying tribute to big-business operation, which has made possible this mass production in this country. When we talk about big business gobbling up big government, and big government gobbling up big business, I submit to you that the former is very unlikely. If one gobbles up the other, it is going to be big government gobbling up big business, and little business as well; that is the trend of the times now. I think that of all the groups of our citizens—and I speak as one who has been seventeen years in the Senate—the business men of this country have less political influence in Washington than any other group. [Applause] It will be a very long time before big business is going to gobble up big government and it should never be permitted to do so. Neither should big labor be allowed to gobble up the government.

With only six per cent of the world's population, industrially we can outproduce all the rest of the world combined—a great achievement which can be attributed to the private enterprise system.

It is for the reformers who prattle welfare platitudes to produce a practical substitute for the free enterprise system's capacity to hold Russian world aggression at bay through its ability to change overnight from peacetime production to incomparable production of munitions and machines of war. They must have a substitute for a system which, in steel, is outproducing Russia at the rate of 90 million tons to 20 million tons yearly. They must have a substitute for a system which can produce steel—the prime requirement for waging successful warfare—

at the rate of 3 tons for every one produced in the rest of the world combined.

It is this system which is our first line of defense. Armies, Navies, Air Forces and other military organizations, A-bombs, H-bombs and other military weapons, trappings and accoutrements are, of course, essential but they are merely the tools through which the strength of this system is applied in war.

Actually the free enterprise system is a greater deterrent to world conflict and more dependable guardian of the peace than the United Nations organization ever will be. [Applause] It is the only force in the world that Russia understands and fears.

Yet, with our eyes wide open, we are yielding to ever-increasing selfish welfare state demands by pressure groups who even now are threatening the destruction of the free enterprise system which—at the same time—is producing an incomparable standard of living and safeguarding the peace of the world.

With their advocates exploiting every political weakness and every economic mishap, these demands have been accumulating over the past two decades, and now they constitute a well-laid foundation for socialism in the United States. Usually these demands have originated in the name of temporary expedients to meet emergencies. But almost invariably it has been this type of legislation which opened the gate leading to the socialistic destination now looming ahead. Some of the domestic-civilian programs set up to meet past emergencies have been repealed, but their objectives, with relatively few exceptions, have been picked up and reincarnated in other legislation.

It is in these programs that we are chasing a mirage of easy money in the form of deficit dollars flowing through expanding federal programs which are undermining the will of individuals, regimenting the production of agriculture and labor, controlling the practices of business, curtailing the sovereignty of states, and destroying the self-determination privileges traditional in our local governments.

Make no mistake: It is socialism which lies at the end of this rainbow, and in this rainbow the predominating color is the red of nineteen federal deficits in twenty-one years and another indefinite era of deficit spending which the President now proposes.

With continuing unbridled deficits inevitably will come the evils of: confiscatory taxation; further increasing government competition with private enterprise and business; further usurpation of state and local prerogatives; further government invasion of private privileges; and further disregard of constitutional processes.

Continuous deficits and growing public debt, in company with these natural and inevitable by-products, are virtually synonymous with socialism. The fact that taxes—federal, state and local—are dangerously close to confiscatory heights is conceded by experts. But the President is proposing to increase the federal levies, especially on business. Federal taxes already are discouraging investment in industry, which is needed to expand production of more of the things people need at prices they can pay. And along with higher and higher taxes goes more government competition, such as that which results from the development of huge valley projects and tremendous so-called business loans.

As if this were not enough government meddling in business, there is also the continuing threat of government controls such as those requested at the beginning of the 81st Congress on prices, wages, commodity allocation, consumer credit, bank requirements and employment practices. If you think these threats are dormant, your attention is invited to the high-pressure maneuvers for the so-called civil rights program which, in its entirety, would be the greatest mass invasion of states rights, local prerogatives and the privilege of individual self-determination ever perpetrated on this nation. Regimentation is a part of a socialistic state.

There is no retreat from socialism, once it is entrenched, primarily because the state usurps not only the machinery of agricultural, mineral and industrial production, but also the sources of wealth and capital. As the British are learning, once these fundamentals of free enterprise are exploited by government, there is nothing left for use by private enterprise to bail the government out of its business misadventures. It just gets deeper into them, and that is pure socialism.

The President says it is an insult to the intelligence of the American people to say this country is on the road to socialism.

I submit that it is an insult to our intelligence to assume that we do not realize that adoption of the President's program, now before the Congress, will commit us irrevocably to a socialistic state from which there can be no retreat.

Six Questions

If the President is against socialism, why is he pressurizing Congress to adopt socialized medicine? He sent Oscar Ewing, at public expense, to England to get the "low-down" on their socialistic system for propaganda use in the United States. If the President does not recognize that the British experiment in medicine is socialism, he should inform himself from the debates in England during the last election. It was frankly admitted by the Labor government that Great Britain did have socialized medicine and a socialized government.

The cost of socialized medicine in America is difficult to estimate. We do things on a very grandiose scale when it comes to spending money, as you know, and if we undertake to pay the expenses of people when they are born, guard them through their lives from illness and things that may happen to them, and then bury them, it would be difficult to estimate the cost. However, some of the statisticians have estimated the cost at twenty billion dollars annually, and, of course, in fifty years that amounts to one trillion dollars.

They further said that if you take one trillion dollars and pile one dollar up on top of another it will extend 2,096,000 miles high—seven times the distance to the moon—with enough left over to pay our present national debt. [Laughter] I am told that that is accurate, but I have not checked it.

If the President is against socialism, why is he advocating the Brannan plan, which inevitably means socialized agriculture? This plan not only would contribute in a huge way to the bankruptcy of America, but would create such chaos in the production, sale and distribution of food as to make it necessary for the government to take over these functions that should remain competitive in private hands.

The President and Mr. Brannan are now conducting a nationwide campaign to force the Brannan plan through Congress, notwithstanding the fact that the great farm organizations, as well as most of the farmers of this country, are bitterly and un-

alterably opposed to this plan, knowing as they do that it will be the end of free enterprise in agriculture. I want to pay tribute tonight, in his presence here, as I have done elsewhere, to Mr. Kline, the president of the American Farm Bureau, who has had the courage to go out through the length and breadth of this country and tell the people what the Brannan plan would mean to agriculture.

The only sincere thing Mr. Brannan has said about the plan is that he could not estimate the cost of it. He testified before a committee in Congress, and he gave this glowing picture of what the Brannan plan would do—reduce the cost of food to the consumer, pay the farmers a high profit for what they produce—but he did not fill in the gap by telling who was to pay for the difference between food at low cost and high prices to the farmer.

I am an apple-grower. [Laughter] I have never taken a subsidy from the federal government. [Applause] I have never sold a bushel of apples to the government, although the CIO every now and then gets out a statement that I make great sums selling my apples to the government. But the fact is that in the seventeen years I have been in Congress I have never taken a check from the United States government except for my salary as senator. I never expect to take a check except for my salary.

The CIO keeps very careful track on me. They said in Richmond not long ago that they could rest assured they were going to have an honest senator so long as the CIO kept track as closely as it did. All I ask the CIO to do is to tell the truth.

If the President is opposed to socialism, why is he advocating another extension of socialized housing, a project long ago adopted by the propagandist Keyserling, who heads the President's Council of Economic Advisers, and who, in editing books, has collaborated with Rexford Tugwell? You know about Rexford Tugwell. Earlier in the New Deal, he was the chief exponent of planned economy which, in the end, means socialism. You can read their books today and see the things they advocated are still being promoted as "planned".

These three proposals alone would mean socialization of your health, your food, and the roof over your head; but this is not all. If the President is opposed to socialism, why is he con-

stantly advocating an extension of the number of those who receive payments from the Treasury of the United States? To-day, there are 17 million Americans receiving regular payments directly from the federal government, and 8 million more are on the rolls of counties, cities and states. These 25 million, with their families, constitute a substantial part of our population.

Grover Cleveland said that the first and foremost principle on which our country was founded was that the people should support the government, and not the government the people. As President, Mr. Cleveland implemented this belief by vetoing legislation providing for federal aid to those things the states and localities should do for themselves.

Socialism can be effectively promoted by constantly increasing those who are on the public payroll. A population of government dependents is a socialized population.

If he is against socialism, why does he sanction government competition with free enterprise such as that which is illustrated by the tremendous loans, not to small business, of which the Senator from Illinois spoke, but to big business, to Lustron and Kaiser, and to the oil companies? The RFC made loans of one hundred and eighty million dollars to Kaiser, and I asked the chairman of the RFC to come down and explain the reason the loan was made. He said, "The reason we made it was that he could not obtain the credit any place else." [Laughter]

What will be the result? I wish Kaiser no bad luck. I hope he does not lose, because the amount lost will then have to be taken out of taxes. However, I saw the other day he lost thirty-nine million dollars last year. So, it is possible, unless Mr. Kaiser improves his business, the government is going to own a great automobile factory, and a great steel factory, and then the demand will come that it be operated by the government in order to give employment, and that will be another step toward nationalization of industry, which means socialism.

I have mentioned only some of the things that are leading us to socialism. Time does not permit me to go into all of them, but I submit that socialism comes from the aggregate of things—a step here and a step there—and I submit that if these things are continued we will have a socialistic state. There are

those who may disagree with me, but I am giving you my earnest, sincere and conscientious belief.

I have no other reason to say these things with respect to the policies of the President, who is the leader of my party. It would be much easier for me, politically and every other way, to agree with what he is doing. I know Mr. Truman well. I served with him in the Senate. I have a high respect for him. Nothing will ever pass my lips in criticism of his character. But all of us should frankly discuss these measures.

I will say one thing further. I was one of those Southerners who led the fight for Mr. Truman against Henry Wallace. [Applause] I am sincere about that. I like him. I do not know whether he likes me or not. [Laughter] I have nothing against him, except these things he is trying to do to us. He said, somebody reported, that there were too many Byrds in the Senate—just because I got out a budget plan that was slightly different from his plan, to the extent of about six billion dollars. [Laughter]

I submit that free enterprise and state socialism cannot live under the same roof. I do not think the English people intended to do what they have done. They have gone so far now, that perhaps there is no way to retreat. They are regimented, as no other free people in the world.

I have some friends in England. I used to sell apples over there. I do not sell any apples there now. They will accept apples sometimes if they are given to them, and the freight paid on them, but you do not sell anything over there. My friend sent me the *London Times* the other day. On the first page it had a list of 150 farmers who the government had charged were guilty of bad husbandry, because they had not obeyed the government bureau on what to plant, when to plant, and when to harvest. It said that unless these farmers mended their ways their farms would be confiscated. Not paid for, not condemned, but confiscated, in the free land of England! England, where it has been boasted for a thousand years that the Englishman's home is his castle, has now gotten to the point where, if a farmer does not obey the order of a bureaucrat, he will have his property taken away from him without compensation.

In England, there are only 70 Britons who have an income of \$16,800, after taxes. The rich have been liquidated. That is

not so bad—unless you're rich. [Laughter] We can liquidate the rich in this country by compelling them to pay the deficit for one year. There would not be any more rich people. Make them pay the \$6 billion deficit, and all of them would be poor. When you liquidate the middle classes, you strike at the heart and core of any country. There are only 320,000 Englishmen now who have incomes of from \$2,800 to \$5,600 a year after taxes.

Lord Strachey, the Labor Food Minister, now War Minister, who was accused of having been a Communist—you saw the other day that a petition has been entered to dismiss him from the Cabinet—said in Dundee, Scotland, on February 5: "I regard the leveling of incomes an outstanding socialistic achievement. The redistribution of incomes within the community was the most important step of all. Redistribution has gone further than many people realize."

That is what he thinks about the government of England. He wants to level all the incomes. In the face of these facts, are we going the road of England?

If President Truman is opposed to socialism, why is he advocating deficit spending in time of peace and prosperity? You have been told (and it has been repeated so often that many people believe it) that the deficit is due to the fact that 80 per cent of the budget is for past wars and preparation for future wars and that nothing can be done about it. That simply is not so. The present deficit is directly due to the increase in domestic spending between 1948 and 1950. Listen to this: In 1948, we spent \$34 billion. Did anyone suffer? We had the cold war. It was a hotter proposition than it is now. We were prosperous at home. Yet today we are spending \$9 billion more than we spent two years ago. And of that \$9 billion, \$6 billion is an increase exclusively in domestic spending. No defense in that item. No veterans' costs. No interest on the public debt. That is where the deficit has occurred.

I will now give you, just for a moment, a "Byrd's"-eye view of the budget. Expenditures are going to be \$44 billion; the income is going to be \$37 billion; and if my mathematics are correct, then we have a deficit of \$7 billion.

You probably noticed the other day that the Committee on Joint Taxation (Senator George is chairman; I am a member)

gave out a statement that the deficit is going to be \$14 billion over the two-year period. That is getting up into pretty big figures. The President says, "This is temporary." If it is going to be a temporary deficit, I want to ask him, "How long is temporary?"

In the last twenty-one years we have had deficits for nineteen years and surpluses for only two years. If that is temporary, then we will have to go through another cycle, and it will be twenty-one years more before we have two years of balanced budgets.

In those two years that the budget was balanced, it was by inadvertence. [Laughter] It was not by economies; it was not by sacrificing anything; it was simply because the Administration planners underestimated the inflation that followed the war. The years were 1946 and 1947. They figured on less income than they actually received. But when they found out there was a surplus, they quickly corrected it by starting another deficit; and now we have a deficit of such size as to be a serious threat to this country. If we cannot balance the budget now in this day of peace and high prosperity, I ask you, when can we balance it? Are conditions going to be better next year? Are they going to be any better the year after next, or ten years from now?

As our debt soars over a quarter of a trillion dollars, and as we increase it at the rate of \$6 and \$7 and maybe \$8 billion a year, it is time for us to ask ourselves in all seriousness: When does a democracy such as we have in this country approach insolvency? That is a matter for you bankers, and everyone else, to consider. How long can we continue to pile up this debt and have a deficit and spend more than we have and remain solvent?

My definition of insolvency in a democracy is this: When a democracy is unable in time of peace to raise in taxation from the people a sufficient amount to balance the outgo with the income, then we are approaching an insolvent state. I submit to you that that point is being reached now. Where can we increase the taxes to meet this deficit spending at the rate of \$6, \$7 or \$8 billion a year? They say, "Put it on the corporations." What will happen? We now get from the corporations \$10 billion. If you put \$8 billion more on the corporations, you will

increase those taxes by 80 per cent, and that, I think, would be slightly discouraging to the corporations. [Laughter] What business will expand under those conditions? How will the stockholders get dividends? And how will they pay their debts? And then the cry will come, "The private enterprise system has failed, and the government will have to take over these industries, as they have done in other countries."

When we speak about economy, there is only one single item in the budget that is untouchable, and that is the interest on the public debt. We have to pay that; it is a matter of honor. If we do not pay it, our bonds will lose their value.

They say the armed services is an untouchable item. I cite to you the instance of Secretary Johnson. What did Secretary Johnson do? When he came in, he found that the armed services had one man in civilian clothes to two in uniform. It should have been corrected a long time ago. It should have been corrected in the demobilization after the war. He said he was going to correct that. He dismissed 130,000 people, out of some 800,000, and saved \$500 million by it, which is quite a tidy sum. Mr. Truman said that he thoroughly approved what Mr. Johnson had done, but he hoped the other bureaus of the government would absorb those whom Mr. Johnson had dismissed. [Laughter]

The same thing could be done with the veterans' bureau. The same thing could be done with the administration of foreign relief. There is not one single bureau of this government that cannot make substantial economies without in any way impairing the essential functions.

The interest on the public debt today is more than the total cost of government was in 1933. This interest is equal to the assessed value of all the property in a state like New Jersey. Our debt today is twice as much as the assessed value of all the property in the United States. I will admit that property generally is not assessed at full value for the purpose of taxation always, but I think it is assessed at 50 per cent of the value; and if it is assessed at 50 per cent of the value, then the debt we now have, which is a first mortgage on every house and every home and every acre of land in this country, is equal to the full value of that property. We have reached that point now.

What can we do? What can you do? I am frequently asked that question. I would say, first, that you must stand firmly

against socialistic trends, because they are dangerous. In the aggregate, we do not know where they will end.

Then, do not ask for pet appropriations. [Applause] I want to pay a tribute to Senator Douglas. He has made a valiant fight against appropriations for reclamation, and other things. He did not get many votes, at times. Anyway, he has made a courageous and fine fight.

There is no such thing as a federal grant. We have to get that into the minds of the people of this country. There is no such thing as passing a law in Washington to send your government money to you, because what we do in Washington is to collect the money from you, take it down to Washington, deduct our costs and commissions, and then send what is left back to you. That is what occurs.

Sometimes when I cannot sell my apples f.o.b., I sell them to a commission merchant. He sends me a report back, and he takes off what I call "deducts"—deduct this, deduct that, deduct the other thing. Sometimes I do not get any more than freight for the apples.

That is what happens in Washington. The money comes from you. The only place it can come from is the taxpayers. It goes down to Washington, and we have two million employees—not all there, but scattered all over the world—and they take their stipend out of it. Their expenses, their salary, have to be paid, you know. Then, when it comes back to you, it is that much less. And then they tell you how to spend your own money, they put restrictions on it—you can spend it only as they want you to. Therefore, there is no such thing as a federal grant.

Once the American dollar goes down, we will go into an age of international darkness. The American dollar is the only thing today that is holding the world together. It is the only currency that everybody, everywhere in the world, has confidence in, and we have a tremendous responsibility in upholding the solvency of this nation and the integrity of the American dollar. We should take that responsibility seriously, and not take any chances with it.

Again I say that I place balancing of the budget as first and foremost in order to preserve our future security. Those who, willfully or otherwise, would destroy the American system

of free enterprise would destroy the freedom of people everywhere. We alone are bearing the standard today. We took that standard from England. What nation can take it from us? There is not a single strong nation or any combination of nations in the world to take this torch of freedom from us should we fail. Without its light, freedom and progress would perish from the earth.

Without American solvency there would be no deterrent to communism abroad. In the existing circumstances it is no exaggeration to say that there is literally nothing on earth more important than the preservation of the fiscal integrity of the federal government of the United States and of the financial stability of the free enterprise system.

In conclusion, let me say, we should always remember that human freedom is not a gift to man; it is an achievement by man and, as it was gained by vigilance and struggle, so it may be lost by indifference and supineness.

[The audience rose and applauded.]

REMARKS BY THE CHAIRMAN

CHAIRMAN BURGESS: Senator, this audience has told you better than I can that they are grateful to you for coming and giving us this message.

When the Program Committee worked over this program, we agreed that on this critical subject the evening would not be complete until we had heard from General Eisenhower.

[The audience rose and applauded.]

REMARKS

DWIGHT DAVID EISENHOWER

General of the Army

President of Columbia University

I SINCERELY trust that because of my temerity in appearing before this microphone in company with two such distinguished members of the United States Senate there will be no occasion for a new investigation in Washington. [Laughter] But should there be, there is one thing certain: they will unquestionably unearth a better reason for my being here than I can find in my own mind. [Laughter] The title of this organization is the Academy of Political Science. No one has ever accused me of being a scientist, and I know I am not a politician.

As I have tried to assort and segregate the thoughts coming to me after hearing two such brilliant addresses, I feel something like the bird that got confused with the shuttlecock in a badminton game. [Laughter]

On each side I have experienced real blows, if not shots. As I listened to these speakers, I was impressed by the fact that—in spite of these differences that they themselves played up—there is a great and fundamental agreement in their approach, a recognition that economic and political freedom is indivisible, and a recognition that government is maintained among men for the benefit of all, not of any few.

Then my mind went to a few of the specific items that were brought up, and even in the item of big business I did not find too great a disagreement. If I understood Senator Douglas correctly, when he was decrying big business, what he was really talking about was monopolistic business, because he mentioned that the anti-trust laws were sufficient to cure the evils of which he was speaking, and the anti-trust laws say nothing about "bigness" itself.

I find myself in agreement with Senator Byrd, in speaking about big business, when he pays tribute to the American economy and American industry. That was the true and vital

factor in the rapid defeat of the Axis in World War II. [Applause] But here I would be the last to give a perfect and clean bill of health to many of the individuals who have operated big business. The mere fact that many of our difficulties have come about, I think, is something that big-business men must take to their own hearts and say, "If we, who have been in a position of economic leadership, are suffering from industrial strife, wherein have we failed?" Because they have been in a position of leadership not only since the passage of the Wagner Act, but since the founding of this government.

Why, therefore, have the leaders in competitive enterprise not succeeded in this: making everybody understand that the thing we are competing about is the product we produce—let us say the Ford against the Chevrolet—and building loyalty around such competitive articles, rather than loyalty of class against class?

Some one has failed, and those people who have had the great advantages of education and economic power must certainly take their share of responsibility along with everybody else. It is not good enough just to say that someone who today may be abusing a position of power is solely and exclusively guilty.

What I am getting at is this—and I think both Senators tried to bring it out—each of us has a responsibility. Deficit spending does not affect only the people who can afford to pay fancy prices for a fine shirt, a black tie and a nice dinner. Deficit spending cheapens money, and increasingly cheap money damages the man who slaves to get an insurance policy for his wife and for his children, when he puts away his hard-earned dollar. I am speaking from experience, as I have put away some hard-earned dollars when I was a second lieutenant, and that insurance policy is not now worth what I thought it would be then.

So it is not being selfish, it is not a rich man's attitude, to say we simply cannot stand these deficits that cheapen and continue to cheapen our money.

It was a shock to me, with my respect for a dollar, when I went into Africa and found that people for a bit of gold were willing to give you \$3 for \$1, as long as they could get it in gold. It shocked me. It may not have shocked a financier who knew something about it, but that represented a confidence of

those people in gold that was not reflected in our dollar at that moment, and, I repeat, it was a shock.

The great seriousness of these differences today is because we also dwell under a common threat from without. We would not believe, I think, that these partial differences in our domestic philosophy would be particularly bad for us. I think we would agree that they are good in keeping democracy alive and healthy and strong. But at the same time that we fear for our freedom at home, we know that the whole theory of it is attacked from without by an aggressive, dynamic ideology that is determined to obliterate freedom from the world.

And so, it behooves us to take all these questions at home and to try on fundamentals—not on method and details, but on fundamentals—to find some way in which we can secure unity.

The great university of today has a very distinct rôle to play in this regard because, in spite of the brilliance of the addresses you have heard this evening, people in Washington are too busy to give the time to thinking that our great faculties in universities can give. There we have great minds in all disciplines and all branches of science and social development. Those brains we must use. We must find the way to bring big business, labor, professions and government officials together with these experts and, through institutes, study and work out these problems in the calmness of a nonpartisan (almost unpartisan) atmosphere. This will give us not the result that often comes from those who are loyal to a particular party or pressure group, but the kind of result that comes from an analysis and study by the finest talent we can produce in all branches and facets of American life.

I submit to you that there is no place quite as suitable for such an effort as the great universities of our country. In all areas they should be doing it. It is not good enough any more, in my opinion, for a university to say that its mission is merely to train the leader of twenty years from now. It must take the problems of today and, by associating itself with the practical realm of American business—the employer and the employee—bring us answers that we can believe in, that are not developed in the partisan atmosphere of seeking or maintaining office.

I would not want to conclude without paying special tribute to the two speakers of this evening. I have been in Washington

a long time, and I left there gladly [laughter]; but rarely has it been my privilege on the same program, or in the same length of time, to hear two addresses from public men that so impressed me with their integrity, their worth-whileness, their real information for all of us.

Ladies and gentlemen, I told you I would not have much to offer, but my speech does have one virtue which I learned from an old, old friend of mine down in Georgia. He had a handyman around the place, and the handyman was the slowest fellow that ever lived. Once in a while my friend, Bill, would get a little sick of this, and one day I heard him ask, "Sam, don't you ever do anything quick?" Sam said, "Oh, yes, sir. I get tired quick." [Laughter]

At this public speaking, ladies and gentlemen, I get "tired quick."

Thank you very much.

[The audience rose and applauded.]

REMARKS BY THE CHAIRMAN

CHAIRMAN BURGESS: On your behalf, ladies and gentlemen, let me thank Senator Douglas, Senator Byrd, General Eisenhower, and those other speakers who made our daytime sessions interesting. As a result of today, we have moved the area of knowledge a little further.

The meeting is adjourned.

